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HOTELES

2007

Corporate Governance

NH Hoteles, **responsible**
Company in the Tourism Industry

Corporate Governance

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LISTED PUBLIC LIMITED COMPANIES

ISSUER'S IDENTIFYING DATA

DATE OF CLOSE OF FINANCIAL YEAR **FINANCIAL YEAR 2007**

Fiscal Identification Code: **A28027944**

Corporate Name: **NH HOTELES, S.A.**

MODEL CORPORATE GOVERNANCE ANNUAL REPORT OF LISTED PUBLIC LIMITED COMPANIES

A. OWNERSHIP STRUCTURE

A.1 Complete the following chart on the company's corporate capital:

Date of last modification	Corporate capital (€)	Number of shares	Number of rights to vote
22-03-2007	295,940,916 euros	147,970,458 shares	147,970,458

Indicate if there are different classes of shares with different rights associated:

Yes No

A.2 Give details of the direct and indirect shareholders of significant stakes at the closing of the financial year, excluding board members:

Shareholder's Name or Corporate Name	Number of direct rights to vote	Number of indirect rights to vote (*)	% of the total rights to vote
GRUPO INVERSOR HESPERIA, S.A	37,122,828	0	25.088
MR. JOSE ANTONIO CASTRO SOUSA	0	37,122,828	25.088
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	0	14,851,795	10.037
MORGAN STANLEY REAL ESTATE SPECIAL SITUATIONS FUND III GP	0	8,817,560	5.959
BANCAJA INVERSIONES, S.A.	8,373,405	0	5.659
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	8,132,456	0	5.496
MR. AMANCIO ORTEGA GAONA	0	7,503,582	5.071
PONTEGADEA INVERSIONES, S.L.	7,503,582	0	5.071
CAJA DE AHORROS Y MONTE DE PIEDAD DE ZARAGOZA, ARAGON Y RIOJA (IBERCAJA)	7,459,190	0	5.041
MORGAN STANLEY CO. INTERNATIONAL LTD.	7,454,751	0	5.038
CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	6,719,339	0	4.541
INTESA SANPAOLO, S.P.A.	3,450,671	3,262,749	4.537

Name or Corporate name of the indirect owner of the stake	Through: name or Corporate name of the direct owner of the stake	Number of direct voting rights	% over total voting rights
MR. JOSÉ ANTONIO CASTRO SOUSA	GRUPO INVERSOR HESPERIA, S.A	37,122,828	25.088
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	8,132,456	5.496
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	6,719,339	4.541
MORGAN STANLEY REAL ESTATE SPECIAL SITUATIONS FUND III GP	MORGAN STANLEY CO. INTERNATIONAL LTD.	7,454,751	5.038

Indicate the most significant movements in the shareholder structure during the financial year:

Shareholder's Name or Corporate Name	Date of transaction	Description of transaction
PONTEGADEA INVERSIONES, S.L.	26-02-2007	It has reduced its stockholding to 5.07%
MORGAN STANLEY & CO. INTERNATIONAL LTD	1-03-2007	It has exceeded 5% of the corporate capital
GRUPO INVERSOR HESPERIA, S.A.	25-09-2007	It has increased its stockholding to 25.08%
INTESA SANPAOLO, SPA.	20-12-2007	It has exceeded 3% its stockholding

A.3 Complete the following charts on the members of the company's board of directors who own shares in the company:

Name or Corporate name of the Director	Number of direct voting rights	Number of indirect voting rights (*)	% over total voting rights
MR. GABRIELE BURGIO	1,482,490	0	1.002
MR. MANUEL HERRANDO Y PRAT DE LA RIBA	4,627	0	0.003
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	0	8,373,405	5.659
CAJA DE AHORROS Y MONTE DE PIEDAD DE GIPUZKOA Y SAN SEBASTIAN	7,537,000	0	5.094
GSS HURRICANE BV	0	8,817,560	5.959
HOTELES PARTICIPADOS, S.L.	7,469,093	0	5.048
MR. JOSÉ DE NADAL CAPARÁ	11,262	0	0.008
MR. MIGUEL RODRÍGUEZ DOMÍNGUEZ	3,000	0	0.002
MR. RAMÓN BLANCO BALÍN	26,775	15,076	0.028

Indicate whether there are restrictions in the articles on the exercise of the voting rights:

Yes No

Maximum percentage of voting rights that one shareholder can exercise due to a restriction in the articles

10%

Description of the legal and bylaw restrictions on the exercise of voting rights

In accordance with the provisions of Article 15 of the Articles of Association of NH Hoteles, S.A., no shareholder, independently of the number of shares he/she may hold, may issue more votes than those corresponding to 10% of the shares issued with a right to vote.

This limitation shall not apply in those General Meetings in which, in accordance with the list of attendees, a shareholder, whether present or represented at the Meeting, is the owner of more than 75% of the issued shares with a right to vote.

For the purpose of the foregoing paragraph, companies belonging to the same group, as per the provisions of article 42 of the Commercial Code, shall have the consideration of a single shareholder.

Indicate whether there are legal restrictions on the purchase or transfer of stockholdings in the corporate capital:

Yes No

A.11 Indicate whether the General Meeting has agreed to adopt measures for neutralisation against a public offer of purchase by virtue of the provisions of Act 6/2007.

Yes No

B. THE COMPANY'S ADMINISTRATIVE STRUCTURE

B.1 Board of Directors

B.1.1 Provide details of the maximum and minimum number of directors provided for in the Articles of Association:

Maximum number of directors	Minimum number of directors
20	5

B.1.2 Complete the following chart with the members of the board of directors:

Director's Name or Corporate Name	Representative	Office on the Board	Date of first appointment	Date of last appointment	Election procedure
MR. MATÍAS AMAT ROCA		DIRECTOR	28-04-2005	28-04-2005	GENERAL MEETING OF SHAREHOLDERS
MR. RAMÓN BLANCO BALÍN		DIRECTOR	12-01-1993	05-05-2006	GENERAL MEETING OF SHAREHOLDERS
MR. GABRIELE BURGIO		CHAIRMAN – MANAGING DIRECTOR	12-01-1993	05-05-2006	GENERAL MEETING OF SHAREHOLDERS
CAJA DE AHORROS Y MONTE DE PIEDAD DE GIPUZKOA Y SAN SEBASTIAN	MR. CARLOS ETXEPARE ZUGASTI	DIRECTOR	29-05-2007	29-05-2007	GENERAL MEETING OF SHAREHOLDERS
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	MR. AURELIO IZQUIERDO GÓMEZ	DIRECTOR	27-06-2002	29-05-2007	GENERAL MEETING OF SHAREHOLDERS
MR. JOSÉ DE NADAL CAPARÁ		DIRECTOR	08-05-1997	05-05-2006	GENERAL MEETING OF SHAREHOLDERS
MR. JULIO C. DÍAZ-FREJO CERECEDO		DIRECTOR	22-02-2006	05-05-2006	GENERAL MEETING OF SHAREHOLDERS
GSS III HURRICANE, B.V.	MR. ANDRÉ MARTINEZ	DIRECTOR	29-05-2007	29-05-2007	GENERAL MEETING OF SHAREHOLDERS
MR. MANUEL HERRANDO Y PRAT DE LA RIBA		VICE-CHAIRMAN	13-07-1992	05-05-2006	GENERAL MEETING OF SHAREHOLDERS
HOTELES PARTICIPADOS, S.L	MR. IGNACIO EZQUIAGA DOMÍNGUEZ	DIRECTOR	29-04-2004	29-05-2007	GENERAL MEETING OF SHAREHOLDERS
MR. ALFONSO MERRY DEL VAL		DIRECTOR	18-03-1997	05-05-2006	GENERAL MEETING OF SHAREHOLDERS
MR. MIGUEL RODRÍGUEZ		DIRECTOR	29-04-2004	29-05-2007	GENERAL MEETING OF SHAREHOLDERS

Total Number of Directors

12

Indicate the retirements/removals from the board of directors that have occurred during the period:

Name or corporate name of the director	Condition of the admission of the director at the moment of removal/ retirement	Date of termination
MR. GARY GARRABRANT	INDEPENDENT EXTERNAL DIRECTOR	16-04-2007

B.1.3 Complete the following charts on the members of the board of directors and their condition:

EXECUTIVE DIRECTORS

Director's Name or Corporate Name	Committee that proposed the appointment	Office on the company's organization chart
MR. GABRIELE BURGIO	Board of Directors	CHAIRMAN – MANAGING DIRECTOR
Total number of executive directors		total % of the Board
1		8.33%

EXTERNAL PROPRIETARY DIRECTORS

Director's Name or Corporate Name	Committee that proposed the appointment	Name or corporate name of the significant shareholder represented or who proposed the appointment
MR. MATÍAS AMAT ROCA	APPOINTMENT AND REMUNERATION COMMISSION	CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	BOARD OF DIRECTORS	CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)
MR JULIO C.DÍAZ FREJO CERECEDO	BOARD OF DIRECTORS	PONTEGADEA INVERSIONES, S.L.
HOTELES PARTICIPADOS, S.L.	APPOINTMENT AND REMUNERATION COMMISSION	HOTELES PARTICIPADOS, S.L.
CAJA DE AHORROS Y MONTE DE PIEDAD DE GIPÚZKOA Y SAN SEBASTIAN	APPOINTMENT AND REMUNERATION COMMISSION	CAJA DE AHORROS DE GIPÚZKOA Y SAN SEBASTIAN
GSS III HURRICANE, B.V.	APPOINTMENT AND REMUNERATION COMMISSION	MORGAN STANLEY & CO. INTERNATIONAL
Total number of proprietary directors		total % of the Board
6		50%

EXTERNAL INDEPENDENT DIRECTORS

Director's Name or Corporate Name	Profile	
MR. RAMÓN BLANCO BALÍN	BUSINESS & ECONOMICS DEGREE. TAX INSPECTOR WITH LEAVE OF ABSENCE.	
MR. MANUEL HERRANDO Y PRAT DE LA RIBA	GRADUATE IN LAW	
MR. ALFONSO MERRY DEL VAL	ECONOMICS AND COMMERCE DEGREE FROM BOCCONI UNIVERSITY OF MILAN. DOCTORATE FROM UNIVERSITY OF PAVIA.	
MR. MIGUEL RODRÍGUEZ DOMÍNGUEZ	ENTREPRENEUR	
Total number of independent directors		Total % of the Board
4		33.33%

OTHER EXTERNAL DIRECTORS

Director's Name or Corporate Name	Committee that proposed the appointment	
MR. JOSÉ DE NADAL CAPARÁ	Board of Directors	
Total number of other external directors		Total % of the Board
1		8.33%

Provide details of the reasons why they cannot be considered proprietary or independent directors and their links, whether with the company or its managers, or with its shareholders:

Name or Corporate Name of the director	Reason	Company, manager or shareholder with which he has the link
MR. JOSÉ DE NADAL CAPARÁ	He cannot be considered a Proprietary Director any more because the significant shareholder that he represented (FINAF 92, S.A.) has sold its entire stockholding and despite the fact that Mr. Nadal has put his resignation at the disposal of the Board, this was not accepted by the Board.	

Indicate any changes that, when applicable, have occurred during the period in the type of each director:

B.1.4 Explain, if applicable, the reasons for which proprietary directors have been appointed at the request of shareholders whose shareholding is less than 5% of the capital:

Indicate whether formal petitions of presence on the Board have not been attended to coming from shareholders whose shareholding is identical with or greater than that of others at whose request proprietary shareholders have been designated. If so, explain the reasons for which they have not been attended to:

Yes No X

B.1.5 Indicate whether any director has ceased in his position before the end of his mandate, if he has himself explained his reasons and by what means, to the Board, and, if he has done so in writing to the entire Board, explain below, at least the reasons which he himself has given:

Name of the director	Reason for cessation
MR. GARY GARRABRANT	Personal reasons, which make his attendance at Board Meetings impossible.

B.1.6 Indicate, as and when applicable, the powers delegated to the managing director(s):

Director's Name or Corporate Name	Brief description
MR. GABRIELE BURGIO	ALL THE POWERS WHICH CORRESPOND TO THE BOARD OF DIRECTORS, EXCEPT THOSE THAT CANNOT BE DELEGATED BY LAW OR BY VIRTUE OF THE ARTICLES OF ASSOCIATION

B.1.7 Identify, if applicable, the members of the Board who take on the position of administrators or managers of other companies which form part of the group of the quoted company.

Name or Corporate Name of the Director	Corporate name of the group company	Position
MR. MATÍAS AMAT	SOTOGRADE, S.A.	INDIVIDUAL REPRESENTATIVE OF THE DIRECTOR OF THE CAJA MADRID BUSINESS PARTICIPATION AND PROMOTION COMPANY
MR. GABRIELE BURGIO	NH ITALIA, SRL	CHAIRMAN
MR. GABRIELE BURGIO	GRANDE JOLLY	DIRECTOR
MR. GABRIELE BURGIO	NH PARTICIPATIES, N.V.	CHAIRMAN
MR. GABRIELE BURGIO	NH DOMO, DISEÑO Y DECORACIÓN, S.L.	JOINT ADMINISTRATOR
MR. GABRIELE BURGIO	JOLLY HOTELS SPA	MANAGING DIRECTOR
MR. GABRIELE BURGIO	GRUPO FINANCIERO DE INTERMEDIACIÓN Y ESTUDIOS, S.A.	INDIVIDUAL REPRESENTATIVE OF THE SOLE ADMINISTRATOR NH HOTELES, S.A.
MR. GABRIELE BURGIO	SOTOGRADE, S.A.	DIRECTOR
MR. GABRIELE BURGIO	KRASNAPOLSKY HOTELS & RESTAURANTES, B.V.	MEMBER OF THE "SUPERVISORY BOARD"
MR. GABRIELE BURGIO	NACIONAL HISPANA DE HOTELES, SRL	DIRECTOR
MR. MANUEL HERRANDO Y PRAT DE LA RIBA	SOTOGRADE	CHAIRMAN AND DIRECTOR
MR. ALFONSO MERRY DEL VAL GRACIE	KRASNAPOLSKY HOTELS & RESTAURANTS, B.V.	MEMBER OF THE "SUPERVISORY BOARD"

B.1.8 Provide details, as and when applicable, of the company's directors who are members of the board of directors of other companies listed in official securities markets in Spain other than its group, which have been notified to the company:

Director's Name or Corporate Name	Listed company	Office
MR. GABRIELE BURGIO	GRUPO FERROVIAL, S.A.	DIRECTOR
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	BANCA DE VALENCIA, S.A.	CHAIRMAN
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	ENAGAS, S.A.	VICECHAIRMAN
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	MARTINSA-FADESA, S.A.	BOARD MEMBER
MR. MIGUEL RODRÍGUEZ DOMÍNGUEZ	COMPAÑÍA ESPAÑOLA PARA LA FABRICACIÓN MECÁNICA DEL VIDRIO, S.A.	DIRECTOR

B.1.9 Indicate and, if applicable, explain whether the company has set down rules on the number of boards of which its directors may form part:

Yes No X

Explanation of the rules

B.1.10 In relation with recommendation number 8 of the Unified Code, indicate the general policies and strategies of the company that the Board in plenum has reserved to itself the power to approve:

	Yes	No
The policy of investments and financing	X	
The definition of the structure of the group of companies	X	
The policy of corporate governance	X	
The policy of corporate social responsibility	X	
The strategic or business plan as well as the objectives of annual management and budget	X	
The policy of remuneration and evaluation of the performance of the senior management	X	
The policy of monitoring and management of risks as well as the periodic monitoring of the internal systems of information and control	X	
The policy of dividends as well as that of bought-back shares and, especially the limits.	X	

B.1.11 Complete the following charts with regard to the aggregated remuneration of the directors earned during the accounting year:

a) In the company that is the object of the present report:

Director's Name or Corporate Name	Listed company
Fixed remuneration	740.73
Variable remuneration	300.00
Per diem allowances	86.55
Bylaw-mandated business	444.85
Stock options and/or other financial instruments	2,355.49
Others	336.45
TOTAL:	4,264.07

Other Benefits	In thousands of euros
Payments on Account	
Credits granted	8,305.41
Pension Funds or Plans: Contributions	
Pension Funds or Plans: Obligations incurred	
Life insurance premiums	28.4
Guarantees constituted by the company in favour of its directors	

b) Resulting from the company's directors belonging to other boards of directors and/or the top management of group companies:

Remunerative item	In thousands of euros
Fixed remuneration	
Variable remuneration	
Per diem allowances	120.00
Bylaw-mandated business	
Stock options and/or other financial instruments	
Others	
TOTAL:	120.00

Other Benefits	In thousands of euros
Payments on Account	
Credits granted	
Pension Funds or Plans: Contributions	
Pension Funds or Plans: Obligations incurred	
Life insurance premiums	
Guarantees constituted by the company in favour of its directors	

c) *Total remuneration per type of director:*

Type of director	Per company	Per group
Executives	3,780.67	15.00
External proprietary directors	197.52	
External independent directors	229.79	105.00
Other external directors	56.09	
Total	4,264.07	120.00

d) *In respect of the profit attributed to the holding company:*

Total remuneration of directors (in thousands of euros)	Total remuneration of directors / profit attributed to the holding company (expressed in euros)
4,384.07	5,66%

B.1.12 Identify the members of top management who are not at the same time executive directors and indicate the total remuneration accrued in their favour during the financial year:

Name or corporate name	Office
MR. JESÚS IGNACIO ARANGUREN GONZÁLEZ-TARRÍO	GENERAL CORPORATE AND STRATEGIC INVESTMENTS MANAGER
MR. ROBERTO CHOLLET IBARRA	GENERAL FINANCIAL MANAGER
MR. JUAN DE MORA NARVAEZ	CORPORATE HUMAN RESOURCES MANAGER
MR. IGNACIO DÍAZ LÓPEZ	CORPORATE MANAGER OF INTERNAL AUDITING
MR. GUSTAVO GABARDA DURÁN	GENERAL MANAGER-MANAGING DIRECTOR SOTOGRANDE
MRS. FERNANDA MATOSES GARCÍA-VALDÉS	CORPORATE LEGAL ADVISORY SERVICE MANAGER
MR. FRANCISCO ALEJANDRO ZINSER CIESLIK	GENERAL OPERATIONS MANAGER

Total remuneration of top management (in thousands of euros):

8,355.23

B.1.13 Identify in an aggregate way whether or not guarantee or protection clauses exist, for cases of dismissal or changes of control in favour of members of the top management, including the executive directors, of the company or its group. Indicate whether or not these contracts have to be notified to and/or approved by the administrative bodies of the company or its group:

Number of beneficiaries
7

	Board of Directors	General Meeting of Shareholders
Administrative body which authorizes the clauses	X	

Is the General Meeting of Shareholders informed of these clauses?

Yes No X

B.1.14 Indicate the process for establishing the remuneration of the members of the board of directors and the relevant bylaw clauses in this respect:

Process for establishing the remunerations of the members of the Board of Directors and the bylaw clauses

Article 35 of the Regulations of the Board of Directors establishes that the Director shall have the right to receive the remuneration established by the Board of Directors in accordance with the legal and bylaw provisions and subject to the opinion of the Appointment and Remuneration Commission. The Board of Directors shall endeavour to ensure that the Director's remuneration is commensurate to what is paid in the market in companies of a similar size and activity.

Article 20 of the Corporate Articles sets down that the remuneration of the Directors will consist of a certain annual allowance and per diem expenses for attendance at the meetings of the Board of Directors and of its delegated and consultative commissions. The amount of the remuneration that the company can pay to the Directors as a whole for the two concepts will be equivalent to three per cent of the liquid profit obtained by the consolidated group during the immediately previous financial year. The fixing of the exact amount to be paid within this limit and its distribution among the different Directors is the responsibility of the Board of Directors. Additionally, and independently of the remuneration contemplated in the foregoing section, the establishment of systems of remuneration based on the listed value of the shares or which involve the handover of shares or of rights of option to shares aimed at the directors is set down. For these remuneration systems to be applied, a resolution must be adopted by the General Meeting of Shareholders, which will establish the share value to be taken as the reference, the number of options, the price at which the option rights can be exercised, the term of this remuneration system and all other conditions which it deems appropriate. Likewise, and subject to prior compliance with the legal requirements, similar remuneration systems can be established for the Company's personnel, regardless of whether or not they are directors. The remuneration as described in the foregoing sections, which results from being a member of the Board of Directors, shall be compatible with all other professional and occupational income which corresponds to the Directors for whatsoever other executive or advisory functions which, as and when applicable, they may perform for the Company other than those of supervision and decision, acting as a body, corresponding to their capacity as Directors, which functions shall be subjected to whichever legal regime may be applicable.

Additionally it is worth pointing out that the Board of Directors annually prepares a report on the policy of remuneration of the Directors, of the contents of which the General Meeting is made aware.

Indicate whether the full Board has reserved to itself the approval of the following decisions:

	Yes	No
At the proposal of the first executive of the company, the appointment and possible dismissal of the senior management, as well as their indemnification clauses.	X	
Payment of the directors as well as, in the case of the executive directors, the additional payments for their executive functions and other conditions that their contracts must respect.	X	

B.1.15 Indicate whether the Board of Directors approves a detailed payments policy and specify the questions about which it expresses an opinion:

Yes X No

	Yes	No
Amount of the fixed components, with breakdown, if applicable, of the expenses for participation in the Meeting and its Commissions and an estimate of the fixed annual payment to which they give rise	X	
Payment concepts of a variable nature	X	
Main characteristics of welfare systems with an estimate of their value or equivalent annual cost	X	
Conditions that should be respected by the contracts of those who exercise senior management roles such as executive directors, among which the following will be included	X	

B.1.16 Indicate whether the Board submits to the vote of the General Meeting, as a separate item on the agenda, and for consultation, a report on the policy of payments to directors. If applicable, explain the aspects of the report with regard to the policy of payments approved by the Board for future years, the most significant changes of these policies vis-à-vis those applied during the financial year and a global summary of how the policy of payments was applied during the year. Give details of the role performed by the Payments Commission and whether external advice has been used, and the identity of the external consultants who have given it:

Yes No X

Role performed by the Payments Commission

The Appointments and Payments Commission performs an important role in all matters relating to the policies of payment to Directors and to senior management of the company, and it is the organ which proposes the above-mentioned payments to the Board.

	Yes	No
Have external consultants been used?		X
Identity of the external consultants		

B.1.17 Indicate, as and when applicable, the identity of the members of the board who are at the same time members of the board of directors or are directors of companies which hold significant shareholdings in the listed company and/or companies within its group:

Director's Name or Corporate Name	Name or Corporate Name of the significant shareholder	Office
MR. MATÍAS AMAT ROCA	CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	GENERAL FINANCIAL MANAGER

Provide details, as and when applicable, of any relevant relations other than those contemplated in the foregoing section, of the members of the board of directors which links them to significant shareholders in the company and/or in group companies:

B.1.18 Indicate, as and when applicable, the amendments introduced in the regulations of the board of directors during the financial year:

Yes X No

<u>Description of modifications</u>
Adaptation of the Recommendations of the Unified Code of Good Governance.

B.1.19 Indicate, as and when applicable, the amendments introduced in the regulations of the board of directors during the financial year.

Directors shall be designated by the General Meeting of Shareholders or, on a provisional basis, by the Board of Directors, in accordance with the provisions laid down in Spain's Company Law and the Articles of Association.

Proposals for the appointment of Directors submitted by the Board of Directors to the consideration of the General Meeting of Shareholders and the appointment resolutions adopted by such body by virtue of the co-option powers legally attributed to it must be in compliance with the provisions of the Board of Directors' Regulations and will be carried out at the proposal of the Commission for Appointments and Remuneration, in the case of independent Directors and with the prior report of the said Commission in the case of other Directors.

1. Designation of External Directors

The Board of Directors' Regulations make a special reference to the designation and appointment of external Directors, given their particularity with respect to executive Directors, as a consequence of which it is appropriate to briefly explain the basic characteristics of the designation of the aforesaid External Directors:

1.1 Proprietary Directors

Those Directors who represent or possess a shareholding that is greater than or equal to that which is legally considered to be significant or who have been designated for their position as shareholders, although their stockholding does not reach that said amount will be considered to be proprietary directors.

For the purposes of this definition, it will be presumed that a Director represents a shareholder when:

- a) He was appointed in exercise of the right of representation.
- b) He is a Director, senior manager, employee or non-occasional provider of services to the said shareholder, or to companies belonging to the same group.
- c) From the corporate documentation, it is clear that the shareholder assumes that the Director has been designated by him or represents him.
- d) He or she is the spouse, a person linked in some analogous relationship of affection, or is a relative up to the second degree of a significant shareholder.

1.2 Independent Directors

Those Directors who, designated for their personal and professional abilities, can perform their functions without being prejudiced by relationships with the company, its significant shareholders or its managers are considered to be Independent Directors.

The following may not under any circumstances be classified as independent Directors:

a) Those persons who have been employees or executive Directors of group companies, unless 3 or 5 years have passed, respectively, since the termination of that relationship.

b) Those persons who receive from the company, or its group of companies, any sum or benefit for a reason other than his remuneration as a Director, unless this is not significant.

Dividends and complements of pensions that the Director receives for his prior professional or employment relationship will not be taken into account for the purposes of the provisions of this section provided that the said complements are of an unconditional nature and, therefore, the company that pays them may not, in a discretionary manner, without breach of obligations, suspend, modify or revoke the payment.

c) Those persons who are, or who have been over the last three years, partners of the external auditor or the person responsible for the auditors' report, whether this be the audit over this period of the listed company or of any other group company.

d) Those persons who are executive Directors or senior managers of another different company in which an Executive Director or senior manager of the company is an External Director.

e) Those persons who maintain, or have maintained over the last year, a significant business relationship with the company or with any group company, whether in his own name, or as a significant shareholder, Director or senior manager of a company which maintains or has maintained this relationship.

Business relationships will be considered to be those of a supplier of goods or services, including financial services, or that of advisor or consultant.

f) Those persons who are significant shareholders, Executive Directors or senior managers of a company which receives, or has received over the last 3 years, significant donations from the company or from its group.

Those persons who are mere patrons of a Foundation that receives donations are not considered to be included in this section.

g) Those persons who are spouses, persons linked by an analogous relationship of affection, or relatives up to the second degree of an executive Director or senior manager of the company.

h) Persons who have not been proposed, whether for appointment or renewal, by the Commission on Appointments.

i) Persons who, with regard to a significant shareholder or a shareholder who is represented on the Board, are in one of the cases indicated in letters a), e), f) or g) of this article. In the case of the relationship of relatedness indicated in letter g), the limitation will be applied not only with regard to the shareholder but also with regard to the Proprietary Directors in the partly-owned company.

The Proprietary Directors who lose that status as a consequence of the sale of the shareholding by the shareholder whom they represent may only be re-elected as independent Directors when the shareholder whom they represented up to that moment has sold the totality of his shares in the company.

With the aim of establishing a reasonable equilibrium between both classes of external directors, the Board will attend to the structure of the property of the company, in such a manner that the relationship between one and the other class of directors reflects the relationship between the stable capital and the floating capital.

2. Appointment of the Chairman and Chief Executive of the Company.

The Executive Chairman or, in his absence, the Managing Director, will have the position of Chief Executive of the Company and, as a consequence, his appointment or renewal will include the delegation, when so decided, of all the powers and competences of the board that are legally capable of delegation, with the effective management of the business of the company being his responsibility, always in accordance with the decisions and criteria set by the General Meeting of Shareholders and the Board of Directors.

The Executive Chairman or, in his absence, the Managing Director is responsible for executing the decisions of the Board and, if applicable, of the Delegated Commission, which organs are permanently represented with the widest possible powers, and he may take, in cases of emergency, the measures that he judges appropriate for the interests of the Company.

3. Appointment of the Vice-Chairman of the Board

The Board may elect from among its members one or more Vice-Chairmen – Executive or otherwise – who will substitute for the Chairman, for reasons of delegation, absence or illness of the Chairman and, in general, in all cases, functions or powers which are considered appropriate by the Board or by the Chairman himself.

The Chairman will be replaced by one of the Vice-Chairmen who will be, if applicable, the one who has executive powers in the Company and, in his absence, the Vice-Chairman of the greatest age.

4. Appointment of the Secretary of the Board

The appointment and removal of the Secretary will be subject to a report from the Commission on Appointments and approved by the full board.

5. Duration of Office

Directors shall hold office for a term of three years.

However, Directors designated by co-option shall hold office until the date of the first meeting of the General Meeting of Shareholders.

During a period of two years the Director who terminates his term of office or who for whatsoever other reason ceases to hold office may not render his services in another company with a similar or analogous corporate purpose to that of the Company or that of any of the Companies which form its Group.

The Board of Directors, if it considers it appropriate, may release the outgoing Director from this obligation or shorten the period of its duration.

6. Re-election of Directors

Proposals for the re-election of Directors which the Board of Directors decides to submit to the General Meeting must be subject to a formal preparation process, of which a report issued by the Appointment and Remuneration Commission in which the quality of work and devotion to duty of the proposed Directors during their term of office must necessarily form a part.

7. Removal of Directors

Directors shall cease to hold office when the term for which they were appointed has elapsed or when the General Meeting of Shareholders adopts the corresponding resolution, making use of the attributions legally granted to it.

Members of the Board of Directors must tender their resignation to the Board of Directors and shall formalize the corresponding resignation in the following cases:

a) When they reach 70 years of age. Directors in executive office shall cease to fulfil their duties when they reach 65 years of age although they can continue as Directors if so decided by the Board of Directors itself.

In these cases, removal from office shall be implemented in the first meeting of the Board of Directors to take place after the General Meeting of Shareholders at which the financial statements of the year in which the Director has reached the age limit are approved.

b) When they are removed from the executive posts to which their appointment as Director was associated or when the reasons for their appointment have disappeared, it being understood that such circumstance exists in a Proprietary Director when the corporation or business group which it represents ceases to hold a significant stake in the Company's corporate capital or when, in the case of an independent Director, it joins the executive area of the Company or of any of its subsidiary companies.

c) When they are involved in any of the cases of incompatibility or prohibition legally provided for.

For these purposes, any person who, directly or indirectly had an interest of any kind or were to maintain an employment, professional or mercantile relationship or one of any other kind with competing companies, except when the Board of Directors agrees on his dispensation with the favourable vote of, at least, 70% of its members, will be considered incompatible for the performance of the position of Director.

d) Whenever they receive a serious warning by the Appointment and Remuneration Commission on the grounds of having failed to comply with any of their obligations as Directors.

e) Whenever their permanence on the Board of Directors can negatively affect the credit or reputation enjoyed by the Company in the market or in any other manner can place its interests at risk.

8. Evaluation

The Commission on Appointments and Remuneration is the competent organ to revise the criteria which must be followed for the composition of the Board of Directors and the selection of the candidates.

Annually, the Board, with the prior Report of the Commission on Appointments and Remuneration, evaluates the quality and efficiency of the functioning of the Board, of its Commissions, as well as the performance of his functions by the Chairman-Managing Director and Chief Executive of the company.

B.1.20 Indicate those cases in which directors have the obligation of resigning.

Directors shall cease to hold office when the term for which they were appointed has elapsed or when the General Meeting of Shareholders adopts the corresponding resolution, making use of the attributions legally granted to it.

Members of the Board of Directors must tender their resignation to the Board of Directors and shall formalize the corresponding resignation in the following cases:

a) When they reach 70 years of age. Directors in executive office shall cease to fulfil their duties when they reach 65 years of age although they can continue as Directors if so decided by the Board of Directors itself.

In these cases, removal from office shall be implemented in the first meeting of the Board of Directors to take place after the General Meeting of Shareholders at which the financial statements of the year in which the Director has reached the age limit are approved.

b) When they are removed from the executive posts to which their appointment as Director was associated or when the reasons for their appointment have disappeared, it being understood that such circumstance exists in a Proprietary Director when the corporation or business group which it represents ceases to hold a significant stake in the Company's corporate capital or when, in the case of an independent Director, it joins the executive area of the Company or of any of its subsidiary companies.

c) When they are involved in any of the cases of incompatibility, disqualification, prohibition or incapacity legally provided for.

For these purposes, any person who, directly or indirectly had an interest of any kind or were to maintain an employment, professional or mercantile relationship or one of any other kind with competing companies, except when the Board of Directors agrees on his dispensation with the favourable vote of, at least, 70% of its members, will be considered incompatible for the performance of the position of Director

d) Whenever they receive a serious warning by the Appointment and Remuneration Commission on the grounds of having failed to comply with any of their obligations as Directors.

e) Whenever their permanence on the Board of Directors can negatively affect the credit or reputation enjoyed by the Company in the market or in any other manner can place its interests at risk.

B.1.21 Explain whether or not the function of top executive of the company falls on the office of chairman of the board of directors. When applicable, indicate the measures which have been taken to limit the risks of accumulation of powers in a single person:

Yes X No

Measures for limiting risks

Article 17 of the Board of Directors' Regulations establishes that the Executive Chairperson shall have the condition of First Executive of the Company [...], with the effective direction of the Company's business corresponding to it, always in accordance with the criteria and decisions of the Board of Directors and the General Meeting of Shareholders. Consequently, the Chairman's decisions in all cases shall be put to and supervised by the General Meeting of Shareholders and the Board of Directors. Likewise, all resolutions and decisions of special relevance for the Company must first be submitted to the Board of Directors or corresponding control Committee, for its approval. Moreover, the adoption of certain resolutions requires the proposals and reports of the Board's various Committees.

Indicate and if applicable explain whether rules have been established which empower one of the independent directors to ask for the calling of the Board Meeting or the inclusion of new points on the agenda, so as to coordinate or echo the concerns of the external directors and to direct the evaluation by the Board of Directors.

Yes No X

B.1.22 Are reinforced majorities, other than the legal majorities, required for certain types of decision?:

Yes X No

Indicate how the decisions of the Board of Directors are taken, noting at least, the minimum quorum of attendance and type of majority for taking decisions:

ADOPTION OF RESOLUTIONS		
Description of the resolution	Quorum	Type of Majority
Appointment of Director who directly or indirectly has an interest of any kind or who maintains employment, professional or mercantile relations of those of any other kind with competing companies.		70% of the members
For any kind of resolution apart from the foregoing		Absolute majority of those attending

B.1.23 Explain whether or not specific requirements exist, other than those relating to directors, for being appointed to the office of chairman.

Yes No X

B.1.24 Indicate whether or not the chairman has the casting vote:

Yes X No

Subjects for which a casting vote exists

The decisions will be taken by absolute majority of the Directors intervening at the session, with the vote of the Chairman or Vice-Chairman who substitutes for him being decisive in the case of a tie.

B.1.25 Indicate whether or not the articles of association or the regulations of the board of directors establish some type of limit on the age of directors:

Yes X No

Age limit of chairperson: 65
Age limit of managing director: 65
Age limit of director: 70

B.1.26 Indicate whether or not the articles of association or the regulations of the board of directors establish a limited term of office for independent directors:

Yes No X

B.1.27 If the number of female directors is small or nil, explain the reasons and the initiatives adopted to correct this situation.

Explanation of the reasons and the initiatives

Currently in the composition of the Board there is no female Director, although both the Board of Directors and the Commission for Appointments and Pay has the firm intention to act in this matter in accordance with the Recommendations which are contained in the Unified Code of Good Governance and in the legal provisions in force, both in its text and in its spirit.

In particular, indicate whether the Commission for appointments and Pay has set down procedures so that the processes of selection do not suffer from implicit bias which would act as an obstacle to the selection of female directors, and is deliberately searching for candidates who satisfy the profile demanded:

Yes X No

Indicate the main procedures

There is no concrete procedure but there is the personal commitment of all the members that the procedure for selection should not suffer from implicit bias.

B.1.28 Indicate whether there are formal processes for the delegation of votes in the Board of Directors. If so, details them briefly.

Article 22 of the Regulation of the Board of Directors establishes that Directors must personally attend Board meetings and, whenever due to exceptional circumstances they are unable to do so, they must endeavour to ensure that the representation they confer on another member of the Board shall include, as far as is possible, the appropriate instructions. These delegations can be granted by letter or by any other means which, in the Chairperson's opinion, guarantees the delegation's certainty and validity.

B.1.29 Indicate the number of meetings held by the board of directors during the financial year. Similarly, indicate, as and when applicable, the number of times the board met without the attendance of its Chairperson:

Number of Board Meetings	Number of meetings of the Board without the attendance of the Chairman
10	0

Indicate the number of meetings held in the financial year by the various board committees:

Number of executive or delegated committee meetings	Number of Audit Commission meetings	Number of Appointment and Remuneration Commission meetings	Number of meetings of the Appointments Commission	Number of meetings of the Pay Commission
3	9	6		

B.1.30 Indicate the number of meetings that the Board of Directors has held during the financial year without the attendance of all its members. In the calculation, those representations carried out without specific instructions will be considered to be non-attendances:

Number of non-attendances of directors during the year	% of non-attendances among the total of votes during the financial year
10	10%

B.1.31 Indicate whether or not the individual and consolidated annual accounts which are submitted to the board of directors for its approval are certified beforehand:

Yes No

B.1.32 Identify, as and when applicable, the person(s) who has or have certified the company's individual and consolidated annual accounts, for their formulation by the board of directors.

Article 40.2 of the Board of Directors' Regulations establishes that the Board of Directors must endeavour to authorize the accounts in such a way that they do not give rise to qualifications on the part of the Auditors. Nevertheless, when the Board of Directors considers that it must maintain its criterion, it shall publicly explain the content and scope of the discrepancies.

B.1.33 Does the secretary of the Board have the status of a Director?

Yes No

B.1.34 Explain the procedures for appointment and removal of the Secretary of the Board, indicating whether his appointment and removal have been notified to the Appointments Commission and approved by the full Board.

Procedure for appointment and removal

In accordance with the provisions of article 19.4 of the Board Regulations, the appointment and removal of the Secretary will be approved by the full Board with the report of the Commission on Appointments.

	Yes	No
Does the appointments commission inform of the appointments?	<input checked="" type="checkbox"/>	
Does the appointments commission inform on removals?	<input checked="" type="checkbox"/>	
Does the full Board approve the appointment?	<input checked="" type="checkbox"/>	
Does the full board approve the removal?	<input checked="" type="checkbox"/>	

¿Does the secretary of the Board have the function of taking special care of the fulfilment of the recommendations of good governance?

Yes No

Observations

As is indicated in article 19.3 of the Regulations of the Board the Secretary will take care in any case of the formal and material legality of the actions of the Board and will guarantee that its procedures and rules of governance are respected.

B.1.35 Indicate the mechanisms established by the company, when they exist, for safeguarding the independence of the auditors, financial analysts, investment banks and rating agencies.

Through the Audit and Control Commission, the Board of Directors has established a stable and professional relationship with the Company's firm of Auditors, with strict respect for its independence. Accordingly, the Audit and Control Commission monitors those situations which may represent a risk for the independence of the Company's external Auditors and, in particular, supervises the percentage which the fees paid by the Company represent over the total of the Auditors' income. In this regard, article 25. b.6) that it is within the competence of the Audit and Control Commission "to maintain relations with the Auditors in order to receive information on any questions that may jeopardise the Auditor's independence and any others relating to the process of carrying out the audit, and to receive information and maintain with the Auditors the communications provided for in the audit legislation and technical audit standards

Additionally, the Audit and Control Commission also watches over the independence and efficacy of the function of internal auditing, proposing the selection, appointment, re-election and removal of the person responsible for the service of internal auditing. It is likewise responsible for proposing the budget of the internal audit Department and receiving periodic information about its activities, as well as verifying that the senior management bears in mind the conclusions and recommendations of its reports. On the other hand, the above-mentioned Commission has entrusted to it the supervision of the process of drawing up and the integrity of the financial information relating to the company and, if applicable, to the group, reviewing the fulfilment of the regulatory requirements, the proper delimitation of the consolidation perimeter and the correct application of the accounting criteria.

B.1.36 Indicate whether during the financial year, the Company has changed external auditor. If so, identify the outgoing and incoming auditor:

Yes No

Outgoing Auditor	Incoming Auditor

If there have been disagreements with the outgoing auditor, explain the content thereof:

Yes No

B.1.37 Indicate whether or not the firm of financial auditors performs other tasks for the company and/or its group apart from auditing activities and, if so, indicate the amount of the fees received for such tasks and the percentage they represent of the fees invoiced to the company and/or its group:

Yes No

	Company	Group	Total
Amount of work other than auditing work (in thousands of euros)	30.41	132.78	163.19
Amount of work other than those of auditing / Total amount invoiced by the auditing firm (as a percentage)	6.6%	15.47%	12.40%

B.1.38 Indicate whether the auditing report on the Annual Accounts of the previous financial year presents reservations or provisos. If this is so, indicate the reasons given by the Chairman of the Audit Commission to explain the content and extent of the said reservations or provisos.

Yes No

B.1.39 Indicate the number of years the current firm of financial auditors has been carrying out the audit of the annual accounts of the company and/or its group uninterrupted. Likewise, indicate the number of years the company has been audited by its current firm of financial auditors as a percentage of the total number of years in which the annual accounts have been audited:

	Company	Group
Number of uninterrupted years	6	6

	Company	Group
Number of years audited by the current firm of financial auditors / total number of years the company has been audited (in %)	28.57%	28.57%

B.1.40 Indicate the stakes of the members of the board of directors in the capital of companies which have the same, an analogous or complementary type of activity to that which constitutes the corporate purpose of both the company and its group and which have been notified to the company. Likewise, indicate the offices or functions which they hold or exercise in these companies.

Director's Name or Corporate Name	Name of the investee company	% stake	Office or functions
MR. GABRIELE BURGIO	MOLA15, S.L.	10%	DIRECTOR
CAJA DE AHORROS Y MONTE DE PIEDAD DE GUIPÚZKOA Y SAN SEBASTIAN	LOSAN HOTELS WORLD VALUE ADDED I, S.L.	5.01%	DIRECTOR
CAJA DE AHORROS Y MONTE DE PIEDAD DE GUIPÚZKOA Y SAN SEBASTIAN	FONTECRUZ INVERSIONES, S.L.	5.24%	DIRECTOR
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	HOTEL ALAMEDA VALENCIA	90.00%	NONE
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	PLAYA HOTELS & RESORTS, S.L.	6.87%	NONE
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	PROHORE, SA	29.93%	NONE
MR. MANUEL HERRANDO Y PRAT DE LA RIBA	PROMOCARCANO, S.A.	8.40%	NONE

B.1.41 Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Yes No

Details of the procedure

Article 28 of the Board of Directors' Regulations expressly establishes that, for the purpose of being aided in the performance of their functions, external Directors voted in by a majority or any of the Board of Directors Committees, by virtue of a majority resolution of its members, can request the hiring of legal, accounting and financial advisers or other experts, with all costs for the Company's account. The remit must necessarily relate to specific problems of certain importance and complexity which may arise during the course of their activities. The decision to hire such services must be notified to the Company's Chairman and shall be formalized through the Secretary of the Board of Directors, except when the Board of Directors considers that such hiring is neither necessary nor advisable.

B.1.42 Indicate whether or not a procedure exists whereby directors can have the necessary information in order to prepare the meetings of the administrative bodies in sufficient time and, if so, provide details

Yes No

Details of the procedure

Article 27 of the Board of Directors' Regulations reflects the right and duty of the members of the Board of Directors to information. In this regard, it establishes that all Directors have the power and duty to request and obtain as much information as they may deem necessary or advisable at any given moment for the proper discharge of their duties.

To this end, the widest powers are granted to the Director to enable it to acquire information on any aspect of the Company and to examine the books, records, documents and all background details of corporate transactions to the extent that this is necessary or advisable for the due discharge of office.

This right to information also extends to the various subsidiary companies which comprise the consolidated Group, and must always be exercised in accordance with the demands of good faith.

B.1.43 Indicate and if applicable give details of whether the company has set down rules which oblige the directors to inform and, if applicable, to resign in those cases that may damage the credit and reputation of the company:

Yes No

Explain the rules

Article 14.2.e) of the Regulations of the Board of Directors of NH Hoteles, S.A. sets down expressly that the Directors must hand in their resignation when their remaining on the Board "might affect the credit or reputation that the Company enjoys in the market or put its interests at risk in any other way".

It is also set down that in any case that those persons who are involved in any of the cases of incapacity, disqualification, prohibition or incompatibility established in the current legal provisions cannot be proposed for appointment of Directors.

B.1.44 Indicate whether any member of the Board of Directors has informed the company that he has been prosecuted, or that a summons for the opening of an oral hearing has been given against him for any of the crimes indicated in article 124 of the Public Limited Companies Act:

Yes No X

Indicate whether the Board of Directors has analysed the case. If the reply is affirmative, explain with reasons the decision taken about whether it is appropriate that the director continues to hold his office.

Yes No X

Decision taken	Explanation with reasons
He should continue / not continue	

B.2 Commissions of the Board of Directors

B.2.1 Provide details of all the board committees and their members:

EXECUTIVE OR DELEGATED COMMITTEE

Name	Office	Type
MR. GABRIELE BURGIO	CHAIRMAN	EXECUTIVE DIRECTOR
MR. MATÍAS AMAT	MEMBER	PROPRIETARY DIRECTOR
MR. RAMÓN BLANCO	MEMBER	INDEPENDENT DIRECTOR
MR. JULIO C. DÍAZ-FREIJO CERECEDO	MEMBER	PROPRIETARY DIRECTOR
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	MEMBER	PROPRIETARY DIRECTOR
MR. MANUEL HERRANDO Y PRAT DE LA RIBA	MEMBER	INDEPENDENT DIRECTOR
MR. JOSÉ MARÍA MAS MILLET	SECRETARY, NOT A MEMBER	NOT A DIRECTOR

AUDIT COMMISSION

Name	Office	Type
MR. RAMÓN BLANCO BALÍN	CHAIRMAN	INDEPENDENT DIRECTOR
HOTELES PARTICIPADOS, S.L.	MEMBER	PROPRIETARY DIRECTOR
MR. MIGUEL RODRÍGUEZ DOMÍNGUEZ	MEMBER	INDEPENDENT DIRECTOR
MR. ROBERTO CHOLLET IBARRA	SECRETARY, NOT A MEMBER	NOT A DIRECTOR

COMMISSION ON APPOINTMENTS AND REMUNERATION

Name	Office	Type
MR. JOSÉ DE NADAL CAPARÁ	CHAIRMAN	OTHER EXTERNAL DIRECTOR
MR. MATÍAS AMAT ROCA	MEMBER	PROPRIETARY DIRECTOR
MR. MANUEL HERRANDO Y PRAT DE LA RIBA	MEMBER	INDEPENDENT DIRECTOR
MR. JOSÉ MARÍA MAS MILLET	SECRETARY, NOT A MEMBER	NOT A DIRECTOR

B.2.2 Indicate whether the Audit Commission has the following functions:

	Yes	No
Supervising the process of drawing up and the integrity of the financial information relative to the company and, if applicable, to the group, reviewing the fulfilment of the regulatory requirements, the proper delimitation of the consolidation perimeter and the correct application of accounting criteria.	X	
Periodically reviewing the systems of internal control and risk management, so that the main risks are identified, managed and made known.	X	
Watching over the independence and effectiveness of the internal auditing function; proposing the selection, appointment, re-election and removal of the head of the internal auditing service; proposing the budget for that service; receiving information periodically about their activities; and verifying that the senior management bears in mind the conclusions and recommendations from their reports.	X	
Establishing and supervising a mechanism which makes it possible for the employees to communicate, in a confidential manner and, if it is considered appropriate, anonymous, the irregularities of potential importance, especially in financial and accounting matters, which they notice in the company.	X	
Bringing to the Board proposals for selection, appointment, re-election and replacement of the external auditor, as well as the conditions of hire of that person.	X	
Regularly receiving from the external auditor information on the auditing plan and the results of its execution, and verifying that the senior management bears its recommendations in mind.	X	
Ensuring the independence of the external auditor	X	
In the case of groups, favouring the auditor for the group accepting the liability for the audits of the companies making them up.	X	

B.2.3 Make a description of the rules of organisation and functioning, as well as the responsibilities that each of the commissions of the Board each has attributed.

1. Delegated Commission

a) **Composition:** The Delegated Commission shall be made up of the Chairman of the Board of Directors and a number of members of not less than three or more than nine Directors, designated by the Board of Directors.

In the Delegated Commission's qualitative composition, the Board of Directors shall endeavour to ensure that the structure of participation of the different categories of Directors is similar to that of the Board itself and that its Secretary is the Secretary of the Board.

At any event, for the appointment or renewal of the Delegated Commission's members to be valid the vote in favour of at least two-thirds of the members of the Board of Directors shall be required.

b) **Functioning:** The Delegated Commission shall meet as many times as it is called by its Chairman. The Delegated Commission's Chairman and Secretary shall be the persons who hold the same offices on the Board of Directors, it also being possible to appoint one or several Vice-Chairmen and one Vice-Secretary. The Delegated Commission shall be validly constituted when half plus one of its members are present or represented at the meeting.

The resolutions shall be adopted by the majority vote of the Directors present or represented at the meeting, with the Chairman having the casting vote in the event of a tie.

c) Relationship with the Board of Directors: The Delegated Commission shall accurately inform the Board of Directors of the items discussed and the decisions adopted in its meetings.

2. Audit and Control Commission

a) Composition: The Audit and Control Commission shall be made up of a minimum of three and a maximum of five Directors designated by the Board of Directors. The totality of this Committee's members must be external or non-executive Directors.

The members of the Audit and Control Commission, and most especially its Chairman, will be designated bearing in mind their knowledge and experience regarding accounting, auditing and risk management.

The Chairman of the Audit and Control Commission must be an Independent director and shall be nominated from amongst their non-executive Directors and must be replaced every four years, it being possible for the Chairman to be re-elected once a one-year period has elapsed since his removal.

b) Powers: Notwithstanding any other tasks that may be assigned to it by the Board of Directors, the Audit and Control Commission's main function shall be that of supporting the Board of Directors in its supervisory functions and, in particular and as a minimum, it shall have the following powers.

- To report at the General Meeting of Shareholders, through its Chairman, on the questions raised by the shareholders on the subjects that fall within the Committee's authority.
- To propose to the Board of Directors, for submission to the General Meeting of Shareholders, the designation of the firm of financial Auditors to which article 204 of Spain's Company Law refers, and, when applicable, the conditions of their hire, the scope of their professional remit and the revocation or renewal of their appointment.
- To watch over the independence and effectiveness of the internal auditing function; to propose the selection, appointment, re-election and removal of the head of the internal auditing service; to propose the budget for the service; to receive periodical information about its activities; and to verify that the senior management bears in mind the conclusions and recommendations of its reports.
- To supervise the process of drawing up and the integrity of the financial information relating to the company and, if applicable, to the group, reviewing the fulfilment of the regulatory requirements, the proper delimitation of the perimeter of consolidation and the correct application of the accounting criteria.
- To establish and supervise a mechanism which makes it possible for the employees to notify, confidentially and, if it is considered appropriate, anonymously, the irregularities of potential importance, especially those that are financial or of an accounting nature, that they find within the company.
- To maintain relations with the firm of financial Auditors in order to receive information on those questions which may endanger the latter's independence and any others relating to the audit process, in addition to receiving information and maintaining with the Auditors the communications provided for in the corresponding legislation and in the technical audit standards.

- To supervise the fulfilment and the internal codes of conduct, as well as the rules of corporate governance.

- To inform the Board, prior to the adoption by it of the corresponding decisions, on the financial information which as a listed company the company must periodically make public.

- To inform the Board about all that which is relative to linked operations, with these being understood to be those defined by the Limited Liability Companies Act in force (art. 127ter LSA).

- To inform the board about the creation or acquisition of stockholdings in bodies of a special purpose or which are domiciled in countries or territories which have the status of tax havens, as well as any other transactions or operations of an analogous nature which, due to their complexity, might reduce the transparency of the group.

- To exercise those other powers assigned to the Commission in the present Regulations or which might be assigned by the Board of Directors.

c) Functioning: The Audit and Control Commission shall meet at least once every quarter and as many times as it may be appropriate, after the prior call by its Chairman, at its own decision or in response to the request of two of its members or of the Board of Directors.

The Audit and Control Commission may require the Company's firm of financial Auditors and any person or manager of the company to be present at its meetings

3. Appointment and Remuneration Commission

a) Composition: The Appointment and Remuneration Commission shall be made up of a minimum of three and a maximum of five Directors. All the members of this Commission must be non-executive Directors, and the majority of its members should be independent directors.

The Chairman of the Appointment and Remuneration Commission shall be an Independent director and shall be appointed by the Commission itself from among its members.

b) Powers: Without prejudice to any other tasks which may be assigned to it by the Board of Directors, the Appointment and Remuneration Commission shall have the following powers:

- To inform about the proposals for appointment and removal of Directors and Senior Managers of the company and of its subsidiaries.
- To approve the remuneration ranges of the Company's Senior Managers.
- To approve standard contracts for Senior Managers.
- To establish the remuneration regime of the Chairman and, when applicable, the Managing Director.
- To examine or organise, in the manner that is understood to be most suitable, the succession of the Chairman and of the chief executive and, if applicable, to make proposals to the Board, so that this succession may occur in an orderly and well-planned manner.
- To propose to the Board of Directors the remuneration regime of the Directors and to review it on a regular basis in order to guarantee its adaptation to the duties discharged by such Directors, in accordance with the provisions of article 35 of these Regulations.

- To report on incentive plans.
- To carry out an annual examination of the remuneration policy of Directors and Senior Managers.
- To report on the appointment proposals of the members of the Delegated Commission and of all the other Board Committees.
- To draw up and keep a record of situations of the Company's Directors and Senior Managers; and
- To exercise all other powers assigned to this Commission in these Regulations.

Of all the duties discharged by the Appointment and Remuneration Commission, it must inform the Board of Directors accordingly at the first meeting held by the latter, at any event making available to such Board of Directors the corresponding documentation so that it has knowledge of such activities for the exercising of its powers.

c) Functioning: The Appointment and Remuneration Commission shall meet as many times as may be deemed appropriate by the Chairman or when so requested by two of its members or the Board of Directors.

B.2.4 Indicate the advisory and consultation powers and, when applicable, those of delegation of each one of the committees:

Name of committee	Brief description
DELEGATED COMMISSION	Decision-making capacity of a general scope and, consequently, with express delegation of all the powers which correspond to the Board of Directors, with the exception of those which by virtue of the law or the articles of association cannot be delegated. In addition, the Board of Directors may entrust other functions to the delegated Commission.
AUDIT COMMISSION	It will have as its primary function that of serving as a support for the Board of Directors in its functions of supervision having for the purpose all the powers granted by virtue of Spain's Company Act (LSA) and by the Articles as well as the Regulations of the Board of Directors on the matter of audit and control.

Name of committee	Brief description
APPOINTMENT AND REMUNERATION COMMISSION	To report on the proposals for the appointment of directors and top managers of the company and of its subsidiary companies; to approve the bands of remuneration for the Senior Managers of the Company; to approve the standard contracts for Senior Managers; to determine the regime of remuneration of the Chairman and, if applicable, that of the Managing Director; to examine or organise, in the manner that it understands as correct, the succession of the Chairman and of the Chief Executive and, if applicable, to make proposals to the Board so that the said succession arises in an orderly and well-planned manner; to propose to the board of directors the remuneration regime of directors and to review it on a regular basis so as to guarantee its adaptation to the duties discharged by such directors in accordance with the provisions of article 35 of these Regulations; to report on incentive plans; to carry out an annual examination of the remuneration policy of the Directors and the Senior Managers; to report on the proposals for the nomination of members of the delegated Commission and of all the other board committees; to draw up and keep a register of situations of Directors and Senior Managers of the Company and to exercise those other powers assigned to the Commission in the present Regulations.

B.2.5 Indicate, as and when applicable, the existence of regulations of the board committees, the place where they are available for consultation and any amendments introduced during the financial year. At the same time, an indication should be given as to whether or not an annual report has voluntarily been drawn up on the activities of each committee.

APPOINTMENT AND REMUNERATION COMMISSION

The composition, working and powers of the Appointment and Remuneration Commission are set down in the Regulations of the Board of Directors (article 26 of the Regulation)

The aforesaid Regulations of the Board of Directors is available for consultation in the web site of NH Hoteles, S.A.

On 23rd January 2007, the Board of Directors approved the new text of the Regulations of the Board of Directors so that, mainly, the Recommendations contained in the Unified Code of Good Governance could be incorporated.

Additionally, annually reports have been approved on the activity carried out, both of the Audit Commission and the Commission on Appointments and Remuneration.

DELEGATED COMMISSION

The composition, working and powers of the Delegated Commission are set down in the Regulations of the Board of Directors (articles 23 and 24 of the Regulation)

The aforesaid Regulation of the Board of Directors is available for consultation in the web site of NH Hoteles, S.A.

On 23rd January 2007, the Board of Directors approved the new text of the Regulations of the Board of Directors so that, mainly, the Recommendations contained in the Unified Code of Good Governance could be incorporated.

AUDIT COMMISSION

The composition, working and powers of the Audit Commission are set down in the Regulations of the Board of Directors (article 25 of the Regulation)

The aforesaid Regulations of the Board of Directors is available for consultation in the web site of NH Hoteles, S.A.

On 23rd January 2007, the Board of Directors approved the new text of the Regulations of the Board of Directors so that, mainly, the Recommendations contained in the Unified Code of Good Governance could be incorporated.

Additionally, annually reports have been approved on the activity carried out, both of the Audit Commission and the Commission on Appointments and Remuneration.

B.2.6 Indicate whether the composition of the executive Commission reflects the participation on the Board of the different Directors as a function of their status:

Yes X No

C. LINKED OPERATIONS

C.1 Indicate whether the full Board has reserved to itself the power to approve, with the prior favourable report of the Audit Commission or of any other to which it had entrusted this power, the operations of the company carried out with directors, significant shareholders or those represented on the Board, or with persons linked to those:

Yes X No

C.2 Provide details of any relevant transactions which represent a transfer of resources or debentures between the company or a company in its group and the company's significant shareholders:

Name or Corporate Name of the significant shareholder	Name or corporate name of the company or a company in its group	Nature of the relationship	Type of operation	Amount (in thousands of euros)
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	NH FINANCE, S.A.	Contractual	Syndicated loan	40,000
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	NH HOTELES, S.A.	Contractual	Currency loan	29,650
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	NH HOTELES, S.A.	Contractual	Subordinate loan	35,000

Name or Corporate Name of the significant shareholder	Name or corporate name of the company or a company in its group	Nature of the relationship	Type of operation	Amount (in thousands of euros)
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	NH HOTELES, S.A.	Contractual	Equity Swap	50,028
CAJA DE AHORROS Y MONTE DE PIEDAD DE ZARAGOZA, ARAGON Y RIOJA (IBERCAJA)	NH FINANCE, S.A.	Contractual	Syndicated loan	3,500
INTESA SANPAOLO	JOLLY USA MANAGEMENT, INC	Contractual	Loan	4,614
INTESA SANPAOLO	JOLLY HOTEL HOLLAND NV	Contractual	Loan	8,125
INTESA SANPAOLO	JOLLY HOTELS SPA	Contractual	Loan	4,722
PONTEGADEA INVERSIONES, S.L.	NH HOTELES, S.A.	Contractual	Operative lease contract	5,092
PONTEGADEA INVERSIONES S.L.	NH PAMPLONA, S.A.	Contractual	Operative lease contract	2,430
PONTEGADEA INVERSIONES, S.L.	NH HOTEL RALLYE PORTUGAL LDA	Contractual	Operative lease contract	842

C.3 Provide details of any relevant transactions which involve a transfer of resources or obligations between the company or group companies and the administrators or managers of the company:

Name or Corporate Name of the significant shareholder	Name or corporate name of the company or a company in its group	Nature of the relationship	Type of operation	Amount (in thousands of euros)
CAJA DE AHORROS DE Y MONTE DE PIEDAD GUIPUZCOA Y SAN SEBASTIAN	NH FINANCE, S.A.	Contractual	Syndicated loan	15,000
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	NH FINANCE, S.A.	Contractual	Syndicated loan	25,000
MR. JESÚS IGNACIO ARANGUREN GONZÁLEZ-TARRIO	NH HOTELES, S.A.	contractual	Loan	3,437
MR. GABRIELE BURGIO	NH HOTELES, S.A.	contractual	Loan	8,305
MR. ROBERTO CHOLLET IBARRA	NH HOTELES, S.A.	contractual	Loan	2,578
HOTELES PARTICIPADOS, S.A.	NH FINANCE, S.A.	Contractual	Syndicated loan	12,500
HOTELES PARTICIPADOS, S.A.	NH FINANCE, S.A.	Contractual	Syndicated loan	7,500

C.4 Provide details of the relevant operations carried out by the company with other companies belonging to the same group, provided always that they are not eliminated in the process of preparation of consolidated financial statements and do not form part of the habitual traffic of the company regarding object and conditions:

Corporate name of the group company	Brief description of the operation	Amount (thousands of euros)
LOS ALCORNOQUES DE SOTOGRADE, S.L.	Loan	1,400
LOS ALCORNOQUES DE SOTOGRADE, S.L.	Purchases of material fixed assets	4,469
RESIDENCIAL MARLIN, S.A.	Loan	9,000
HARRINGTON HALL HOTEL, LTD	Loan	2,250

C.5 Indicate whether the members of the Board of Directors have found themselves during the financial year in situations of conflict of interest in accordance with the provisions of article 127 ter of the Spanish Company Act, the LSA.

Yes No

C.6 Provide details of the mechanisms established to detect, establish and solve possible conflicts of interest between the company and/or its group and its directors, managers or significant shareholders.

Article 32 of the Regulations of the Board of Directors lays down the mechanisms for detecting, establishing and solving possible conflicts of interest between the company and/or its group and the Directors. This article literally states that Directors when discharging their duties shall act with absolute loyalty to the Company's corporate interests.

To this end, Directors must comply with the following obligations and prohibitions:

a) Directors may not use the Company's name or invoke their condition as Administrators in order to carry out transactions for their own account or on behalf of persons with whom they have ties.

b) No Director may make investments or carry out transactions linked to the Company's property of which they may have obtained knowledge during the course of the discharge of their duties, either for their own benefit or that of persons with whom they have ties, when such transactions have been offered to the Company or it has interest in them, except when the Company has rejected them without the Director exerting any influence.

c) Directors may not make use of the Company's assets or take advantage of their position within it in order to obtain patrimonial advantages, unless they have paid an adequate consideration.

If the advantage is received in their capacity as a partner, it shall only be deemed to be proper if the principle of equal treatment of shareholders is respected.

d) Directors must notify the Board of Directors of all situations of direct or indirect conflict which they may have with the Company's interests. In the event of conflict, the affected Director shall abstain from taking part in the transaction to which the conflict refers.

e) Directors must abstain from taking part in votes which affect matters in which they or persons with whom they have ties are directly or indirectly interested.

f) No Director can carry out direct or indirect professional or commercial operations or transactions with the Company or any of its Group companies, when such transactions do not form part of the Company's normal trade or are not carried out in market conditions, unless it informs the Board of Directors of them in advance and the latter, subject to the opinion of the Appointment and Remuneration Commission, approves the transactions with the vote in favour of at least 80% of the Directors present or represented at the meeting.

g) Directors must communicate any stakes which they or persons with whom they have ties may hold in the capital of a company with the same, a similar or complementary type of activity to that which constitutes the corporate purpose, the offices they hold or functions they discharge in such company and the conducting for their own account or on behalf of others of the same, a similar or complementary type of activity to that which constitutes the corporate purpose.

The Board of Directors, at the proposal of the Appointment and Remuneration Commission, shall prohibit the holding by Directors of relevant offices in companies that are competitors of the Company or of any of its Group companies.

For the purpose of the provisions established in the foregoing section, persons with whom a Director has ties shall be deemed to be those persons to which article 127 ter.5 of Spain's Company Law refers.

Similarly, the Internal Code of Conduct establishes the duties and general loyalty obligations which the Company's Directors and top management undertake to fulfil and which, in broad terms, refer to conflicts of interest, rules of conduct in connection with insider information, the circulation of relevant information and transactions involving securities.

C.7 Is more than one company in the group listed in Spain?

Yes No

Identify the subsidiary companies that are listed in Spain:

Listed subsidiaries
SOTOGRADE, S.A.

Indicate whether the respective areas of activity and possible business relations have been publicly defined with precision between them, as well as those of the listed subsidiary with the other group companies;

Yes No

Define the possible business relations between the parent company and the listed subsidiary, and between the latter and other group companies.

The relations deriving from the existing management contracts between the companies.

Identify the mechanisms for solving possible conflicts of interest between the listed subsidiary and other group companies:

Mechanisms for solving possible conflicts of interest

The mechanisms for resolving possible conflicts of interest that might arise between NH Hoteles, S.A. and the listed company that forms part of its group, Sotogrande, S.A. are defined through the Audit Commission of the respective companies, proposing the appropriate solutions which are approved, if applicable, by the Board of Directors of each company.

D. SYSTEMS FOR CONTROLLING RISKS

D.1 General description of the risk policy of the company and/or its group, providing details of and evaluating the risks covered by the system, together with a justification of the adaptation of such systems to the profile of each type of risk.

Systems for controlling the business risks of the NH Hoteles, S.A. Group activities can be classified as follows:

- Control of financial type risks
- Control of strategic development risks
- Control of operational and environmental business risks
- Other preventive procedures

1. Systems of Control of Financial-Type Risks

The Group controls its financial risks through the following mechanisms:

1.1 Procedure Manual: The transactions carried out by the NH Hotel Group are standardized through an internal procedures manual, which covers sales and procurement circuits, asset management, cash flow, processes for the monthly closing of accounts, etc. In addition, the rules applicable to accounting matters for all the Group's national and foreign companies have been regulated.

1.2 Internal Audit: The work of the internal audit department is on-going and to a large extent is focussed on the identification of risk situations and the evaluation of their management. Thus, it has defined an annual audit plan, the object of which, *inter alia*, is to check the correct application of the established rules and procedures, not only at the level of corporate departments but also in the various hotels.

1.3 Audit Commission: Reporting directly to the Board of Directors, the Audit Commission is in charge of supervising the correct working of all the Group's Internal Control Systems. Moreover, it analyses the main business risks and the systems which have been established for their management and control and is the body which is responsible for relations with the Group's external auditors.

1.4 Centralised Management: Through its Economic-Financial General Management, the Group implements single and centralised management of its financing, interest rate and exchange rate policies based on non-speculative criteria.

2. Systems for Controlling Strategic Risks

2.1 The NH Hotel Group has a team of professionals devoted to the analysis of strategic opportunities of all types. This team selects the alternatives that are most in line with the Group's global strategy and submits them to the Management Committee and, subsequently, to the Delegated Commission and Board of Directors.

2.2 The Group has identified a series of employees who, in each acquisition, constitute an Integration Committee, for the purpose of homogenising policies and procedures in the main critical areas (human resources, information systems, commercial and marketing management,...)

2.3 Reporting to the Managing Committee, the Expansion Committee analyses the proposed operations. It is made up of members taken from each one of the areas for the purpose of analysing each and every one of the business opportunities and their risks presented to the Group.

3. Systems for Controlling Business Risks and Operational and Environmental Control

3.1 The Management Committee meets weekly for the purpose, on the one hand, of analysing the information contained in the control charts prepared by the Corporate Management Control Department for evaluating the development of operations and, on the other, for carrying out a better follow-up of the aspects of commercial evaluation obtained via the IT system.

At the same time it establishes the policy to be followed in all departments of the Company and monitors the application of the market policy for the Committee.

3.2 The Group in general, and its golf activities in particular, has adopted a policy orientated towards maximum respect for the environment and for this reason it has hired the services of an environmental consultancy company for providing diagnosis and advisory services in respect of the Group's activities.

4. Other Preventive Procedures

4.1 In the field of occupational safety

The occupational health and safety plans involve the planning of those processes which are liable to cause risks and the establishment of the appropriate safety measures.

The Company provides numerous training courses, for both its direct employees and those of its subcontractors.

4.2 Insurance

The NH Hotel Group follows a policy of wide coverage through the signing of insurance policies relating to all the risks which may affect the Group. In addition, a policy of continuous review of coverage has been adopted.

4.3 Risk Map

Through its Audit Commission the NH Hotel Group has drawn up a risk map, which includes a wide range of up to 14 types of risk, which vary from future income commitments to the status of the hotels' operating licences, passing through the commitment of financial covenants in loans.

This plan is updated annually so as to identify possible threats to the Group which can affect its operations.

D.2 Indicate if some of the different types of risk (operational, technological, financial, legal, reputation-linked, fiscal...) have materialised during the financial year which affect the company and/or its group:

Yes X No

If so, indicate the circumstances that have caused them and whether the control systems established have worked.

Risk materialised during the financial year	Circumstances that have caused this	Functioning of the control systems
The risks that are normal for the activity	Conduct of the activities of NH HOTELES, S.A.	It has been possible to confirm the effective functioning of the systems of prevention and control of risks with the result that up to the present it is considered that the resources used have functioned satisfactorily.

D.3 Indicate whether or not a committee or other governing body exists which is responsible for establishing and supervising these control devices:

Yes No

If affirmative, give details of what its functions are.

Name of the commission or organ	Description of functions
Audit Commission	Directly answerable to the Board of Directors, the Audit Commission is responsible for the supervision of the correct functioning of all the Systems of Internal Control of the Group. What is more, it periodically analyses the main risks of the businesses and the systems established for their management and control, and it is the body responsible for the relations with the external auditors of the group. In general, to serve as a support to the Board of Directors in its functions of supervision having for this purpose all the powers granted, both by virtue of the Spanish Companies Law and its Articles, as well as the Regulations of the Board of Directors regarding auditing and supervision.
Department of Internal Audit	Identification and evaluation of situations of risk; definition of an annual auditing plan which has as its objective, among others, to verify the correct application of the rules and procedures set down both at the level of corporate departments and in the different hotels.

D.4 Identify and describe the processes for complying with the different regulations that affect the company and/or its group.

Directorate of Prevention of Workplace Risks

The systems of prevention of workplace risks are subject to a continuous process of evaluation and internal audit. The scope affects both the central services and the different hotels.

Internal Audit

The Management of Internal Audit, which is directly answerable to the Chairman and is at the disposal of the Board of Directors through the Audit Commission contributes to the management of the risks that the Group faces in the fulfilment of its objectives.

In this way, the Audit Management develops the continuous analysis of the procedures and systems of risk control, models of organisation and variables of management within the most important areas of the NH HOTELES, S.A. Group. The corresponding conclusions are

transferred both to those responsible for the areas evaluated and to the Senior Management of the Group, including, if applicable, the recommendation for specific action for the implantation of possible improvements.

Likewise, it is worth pointing out that the Audit Management participates actively in the prevention and control of fraud.

Internal Rules of Conduct

Additionally, on 26th June 2003, the Board of Directors of NH HOTELES, S.A. approved the Internal Code of Conduct of NH Hoteles, S.A. and its Group of Companies in the Securities Market, which is of obligatory fulfilment for the persons at whom it is aimed which regulates all matters relating to the rules of conduct in relation to securities, conflicts of interest, rules of conduct in relation to insider information, as well as securities transactions, among others.

Security Policy

Likewise, all the employees of the Company sign a document of Security Policy which sets out the security policies of NH-HOTELES in matters of computers and electronic communications and has as its objective to make known to all the staff, in a clear and brief form, the security policy of NH-HOTELES in relation to the use of computer resources, access to facilities, software and e-mail and internet use in the place of work, so as to clearly delimit the prohibited conduct in relation to the use of these working tools of NH-HOTELES.

E. GENERAL MEETING OF SHAREHOLDERS

E.1 Indicate and if applicable give details whether there are differences with the regime of minimums set down by the Public Limited Companies Act (LSA) with regard to the quorum for constitution of the General Meeting.

Yes No

	% of quorum different from that set down in article 102 LSA for general cases	% of quorum different from that set down in art. 103 LSA for special cases from art. 103
Quorum required at the 1st Call		
Quorum required at the 2nd Call		

E.2 Indicate and if applicable give details of whether there are differences with the regime set down in the Public Limited Companies Act (LSA) for the regime of adoption of corporate decisions:

Yes No

Describe how it is different from the regime set down in the LSA

Article 15 of the Articles of Association establishes that the resolutions of General Meetings of Shareholders shall be adopted by the majority of the votes of the shares present or represented. Each share grants the right to one vote. No shareholder, regardless of the number of shares held, can issue more votes than those which correspond to 10% of the issued shares with the right to vote. This limitation shall not apply to those General Meetings at which, in accordance with the list of attendees, a shareholder present or represented at the Meeting is the owner of more than 75% of the issued shares with the right to vote. The Meeting's Chairman shall inform of this circumstance when declaring the Meeting open.

With the exception of the rule referred to above (majority of votes present or represented), Article 15 also indicates that "for the amendment of this Article, the vote in favour of at least 75% of the corporate capital shall be necessary."

E.3 Describe any rights of shareholders in connection with general meetings that differ from those established in the LSA.

- Right to information:

Article 9 of the Regulations of the General Meetings of Shareholders indicates that as from the publication date of the notice of the General Meeting, the Company shall place at the disposal of its shareholders the documents and information that by virtue of the law or the Articles of Association must be made available to them in connection with the various points included on the agenda, including such documents and information in the Company's web site as from the aforesaid date. The foregoing notwithstanding, shareholders can obtain these documents and information, immediately and free of charge, at the Company's registered office or they can request their free delivery or shipment, in the cases and in the terms and conditions as established by Law

Likewise, as from the publication date of the notice of the General Meeting and in order to facilitate shareholders' attendance at and participation in the General Meeting, in addition to the legally enforceable documents and information, the Company shall incorporate into its web site, to the extent that they are available, all data which the Company deems suitable for the aforesaid purposes and, in particular, merely as an example, the following

- a) The full text of all the proposed resolutions that are going to be submitted to the General Meeting and at that moment have been approved by the Board of Directors, without prejudice to the fact that they may be modified by such body up until the date on which the General Meeting is to be held, whenever this is legally possible.
- b) Information on the place where the General Meeting is to be held, describing, as and when applicable, how to get to the hall.
- c) Procedure for obtaining attendance cards or certificate issued by the bodies legally authorized to do so.
- d) Means and procedures for granting representation at the General Meeting.
- e) If so established, means and procedures for exercising the right to vote from a distance.
- f) All other aspects of interest for following the meeting, such as the existence or otherwise of simultaneous translation facilities, the possible audiovisual broadcasting of the General Meeting or information in other languages.

All this information may be subject to change at any moment, in which case the pertinent modifications and clarifications shall be published on the Company's web site.

The Company shall make available, sufficiently in advance, all the information and documentation referred to in section 1 and point a) of section 2 of this Article to the Comisión Nacional del Mercado de Valores (CNMV - Spain's National Securities Market Commission) and all other applicable securities market governing bodies.

Article 10 of the aforementioned Regulations also establishes all aspects relating to shareholders' right to information and states that as from the moment at which the announcement calling the General Meeting of Shareholders is published and up to the seventh day prior to the date set for holding the Meeting at the first call, any shareholder can request in writing to the Company's Board of Directors all the information and clarifications that they may deem necessary or can formulate in writing all the questions they deem pertinent on the items included on the Meeting's Agenda published together with the notice or in connection with the information accessible to the public which the Company may have made available to the Comisión Nacional del Mercado de Valores after the holding of the immediately previous General Meeting of Shareholders.

The Board of Directors shall have the obligation of providing in writing up until the day on which the General Meeting is held all the requested information and clarifications and of replying in writing to the questions raised. The replies to questions raised and to the requests for information shall be transmitted through the Secretary of the Board of Directors, by any of the Board Members or by any person expressly authorized to do so by the Board of Directors for the purpose.

During the holding of the General Meeting, the Company's shareholders may verbally request all the information and clarifications that they deem appropriate on the items included on the Agenda and, whenever it is not possible to satisfy the shareholder's right at that moment, the Administrators shall have the obligation of providing such information in writing within the seven days following the General Meeting's termination.

The Administrators shall have the obligation of providing the information requested under the foregoing two paragraphs, except in those cases in which, in the Chairman's opinion, public knowledge of the requested information would harm the Company's interests.

It will not be correct to refuse information when the request is backed by shareholders who represent at least one-quarter of the corporate capital is improper.

- Suggestions by the Shareholders.

Without prejudice to the right of shareholders to request the inclusion of certain subjects on the agenda of the General Meeting which they are requesting, in those cases, terms and conditions legally provided for, shareholders may make suggestions in respect of the organization, working and powers of the General Meeting of Shareholders at any moment and subject to proof of their identity as such.

- Right of Attendance.

Article 12 of the Regulations lays down all aspects relating to the right of attendance. In this connection, it establishes that shareholders who are the holders of the minimum number of shares as required by the Articles of Association registered in their name in the corresponding shareholders register five days prior to the date set for the holding of the General Meeting of Shareholders have the right to attend such Meeting, always provided that they demonstrate this through the appropriate attendance card or certificate issued in their name by one of the participating entities in the body which manages such

accounting record or directly by the Company itself, or in any other manner that is acceptable by virtue of the prevailing legislation. This card or certificate may be used by shareholders as a document for the granting of their representation at the General Meeting in question. Those shareholders who are not the holders of the minimum number of shares required in order to be able to attend may delegate their representation, as indicated in the next Article, to a shareholder with the right to attend the General Meeting or they may group together with other shareholders in the same situation, until they complete the necessary number of shares, having the obligation of granting their representation to one of them. The grouping together must be carried out specifically for each General Meeting and must be placed on record in whatsoever written format.

The Chairman may authorize the attendance of any person he may consider suitable, although the General Meeting shall be able to revoke such authorization.

- Right of Delegation and Representation

Article 13 of the Regulations of the General Meeting of Shareholders establishes that all shareholders with the right to attend the General Meeting can be represented at the Meeting by another person even when such person is not a shareholder. The representation must be accepted by the representative and must be conferred specifically for each General Meeting, either using the printed delegation formula on the attendance card or in any other manner accepted by Law, with the exception of what is established in article 108 of Spain's Company Law for cases of family representation and the granting of general powers.

Representation may also be conferred through electronic or remote telematic means of communication provided they duly guarantee the representation attributed and the represented party's identity. Representation granted by these means shall be accepted when the electronic document by virtue of which it is conferred includes the recognized electronic signature used by the represented party or other class of signature with adequate guarantees of authenticity and identification of the shareholder who is granting his/her representation and it complies with all other requirements established in the legal regulations in force at any given moment.

The documents placing on record the delegations or representations for the General Meeting of Shareholders shall also indicate instructions on the direction of the vote, it being understood that, should no express instructions be given, the representative shall vote in favour of the proposed resolutions formulated by the Board of Directors on the items included on the Agenda.

Should there be no voting instructions because the General Meeting of Shareholders is going to decide on matters that, not appearing on the agenda and, therefore, being unknown on the date of delegation, may be put to the vote at the General Meeting, the representative must issue the vote in the direction which it considers most appropriate, in fulfilment of the interests of the Company and of the represented party. This same rule shall apply when the corresponding proposal or proposals put to the decision of the General Meeting have not been formulated by the Board of Directors.

If the representation or delegation document fails to indicate the specific person to whom the shareholder is granting its representation, such representation shall be deemed to have been granted in favour of the Chairman of the Company's Board of Directors or the person designated by the latter or whoever stands in for the Chairman in the chairmanship of the General Meeting of Shareholders

In those cases in which, pursuant to the provisions of article 107 of Spain's Company Law, a public request for representation is made, the restriction on the exercising of the right to vote as established in article 114 of Spain's Securities Market Law for cases of conflict of interests shall be applied to the Administrator who obtains such representation.

Representation is always revocable. The represented party's personal attendance at the General Meeting of Shareholders shall have the value of revocation.

- Right to vote

Shareholders present or represented at the General Meeting of Shareholders may exercise their right to vote on the proposed resolutions put to the General Meeting. The resolutions of General Meetings shall be adopted with the legally established majorities, with one vote being recognised for every share.

Shareholders who are physical persons without full capacity to act and shareholders which are corporate persons shall be represented by whoever, pursuant to the Law, may exercise such representation, duly accredited.

At any event, for cases not only of voluntary representation but also of legal representation, shareholders may not have more than one representative at the General Meeting of Shareholders.

The Chairman of the General Meeting of Shareholders or, by its delegation, the Secretary thereof shall settle any doubts which may arise in respect of the validity and value of the documents from which the right of attendance of whatsoever shareholder at the General Meeting may derive either individually or from the grouping together of its shares with other shareholders, as well as the delegation or representation in favour of another person, endeavouring to consider as invalid or valueless only those documents which lack the minimum legal and bylaw essential requirements and always provided that such defects have not been remedied.

E.4 Indicate, as and when applicable, the measures adopted to foster the participation of shareholders in the general meetings.

So as to foster the participation of shareholders in the General Meetings of Shareholders, the Company places at the disposal of its shareholders the documents and information which must be made available to them in relation to the different points included on the Agenda, including such documents and information in the Company's web site as from the mentioned date. The foregoing notwithstanding, shareholders can obtain these documents and information, immediately and free of charge, at the Company's registered office or they can request their free delivery or shipment, in the cases and in the terms and conditions established by Law.

Likewise, as from the publication date of the notice of the General Meeting and in order to facilitate shareholders' attendance at and participation in the General Meeting, in addition to the legally enforceable documents and information, the Company shall incorporate into its web site, to the extent that they are available, all data which the Company deems suitable for the aforesaid purposes and, in particular, merely as an example, the following:

a) The full text of all the proposed resolutions that are going to be submitted to the General Meeting and at that moment have been approved by the Board of Directors, without prejudice to the fact that they may be modified by such body up until the date on which the General Meeting is to be held, whenever this is legally possible.

b) Information on the place where the General Meeting is to be held, describing, as and when applicable, how to get to the hall.

c) Procedure for obtaining attendance cards or certificate issued by the bodies legally authorized to do so.

d) Means and procedures for granting representation at the General Meeting.

e) If so established, means and procedures for exercising the right to vote from a distance.

f) All other aspects of interest for following the meeting, such as the existence or otherwise of simultaneous translation facilities, the possible audiovisual broadcasting of the General Meeting or information in other languages.

As from the moment at which the announcement calling the General Meeting of Shareholders is published and up to the seventh day prior to the date set for holding the Meeting at the first call, any shareholder can request in writing to the Company's Board of Directors all the information and clarifications that they may deem necessary or can formulate in writing all the questions they deem pertinent on the items included on the Meeting's Agenda published together with the notice or in connection with the information accessible to the public which the Company may have made available to the Comisión Nacional del Mercado de Valores after the holding of the immediately previous General Meeting of Shareholders.

The Board of Directors shall have the obligation of providing in writing up until the day on which the General Meeting is held all the requested information and clarifications and of replying in writing to the questions raised. The replies to questions raised and to the requests for information shall be transmitted through the Secretary of the Board of Directors, by any of the Board Members or by any person expressly authorized to do so by the Board of Directors for the purpose.

During the holding of the General Meeting, the Company's shareholders may verbally request all the information and clarifications that they deem appropriate on the items included on the Agenda and, whenever it is not possible to satisfy the shareholder's right at that moment, the Administrators shall have the obligation of providing such information in writing within the seven days following the General Meeting's termination.

At any event, and in order to facilitate communication between the Company and its shareholders, a Department for Relations with Investors and Shareholders has been placed at the disposal of the shareholders, who can address themselves to the department via e-mail or telephone in order to solve any doubts they may have in connection with the Company's corporate governance.

Apart from the foregoing, NH Hoteles, S.A. maintains a web site in which it informs shareholders and investors in general of the most important highlights occurring in connection with the Company. The corporate web site includes significant documents and information on corporate governance and its purpose is to be the communications channel with shareholders, providing them with current information on all the aspects that may be relevant.

The Administrators shall have the obligation of providing the information requested under the foregoing two paragraphs, except in those cases in which, in the Chairman's opinion, public knowledge of the requested information would harm the Company's interests, except when the request is backed by shareholders who represent at least one quarter of the corporate capital.

E.5 Indicate whether or not the office of chairman of the general meeting of shareholders coincides with the office of chairman of the board of directors. As and when applicable, provide details of the measures adopted to guarantee the independence and good working of the general meeting of shareholders:

Yes No

Details of the measures

The Regulations of the General Meeting of Shareholders, which regulate all aspects relating to the calling, preparation and holding of the General Meeting, in addition to the rights which correspond to the shareholders, guarantee the General Meeting's correct working.

In addition, the presence of a Commissioner for Oaths is requested in order to draw up the minutes of the Meeting and discharge the duties relating to the preparation thereof, such as participation in the organization of the order in which attendees can take the floor as provided for in the Meeting and to take note of or safeguard the literal interventions which shareholders may wish to make.

E.6 Indicate, as and when applicable, any modifications made during the financial year to the regulations of the general meeting of shareholders.

At the Extraordinary General Meeting held on 5th March 2007, the modification of the Regulations of the General Meeting of Shareholders was approved, among other things, so as to adapt it to the Recommendations of the Unified Code of Good Governance (Conthe Code).

E.7 Provide details of attendance at the general meetings of shareholders held in the financial year to which this report refers:

Date of General Meeting	DETAILS OF ATTENDANCE				Total %
	% physical presence	% in representation	% remote voting		
			Electronic vote	Others	
5-03-2007	39.0931%	41.8367%	0		80.9299%
29-05-2007	39.1752%	35.2202%	0		74.3955%

E.8 Briefly indicate the resolutions adopted at the general meetings of shareholders held in the financial year to which this report refers and the percentage of votes with which each resolution was adopted.

I. Extraordinary General Meeting of 5th March 2007

Only resolution taken: Modification of Regulations of the General Meeting: Percentage of votes with which the resolution was adopted: 99.0983%.

II. Ordinary General Meeting of 29th May 2007

First: Approval of the Annual Accounts and Management Report
Percentage of votes with which the resolution was adopted: 82.2191%

Second: Fixing of the number of members of the Board of Directors. Re-election, ratification and, if applicable, appointment of Directors.

2.1 Renewal of Appointment of Mr. Miguel Rodríguez Domínguez
Percentage of votes with which the resolution was approved: 82.4409%

2.2 Renewal of Appointment of Bancaja

Percentage of votes with which the resolution was approved:
81.1412%

2.3 Renewal of Appointment of Hoteles Participados

Percentage of votes with which the resolution was approved:
81.1412%

2.4 New Appointment as a Director of GSS III Hurricane BV

Percentage of votes with which the resolution was approved:
81.1412%

2.5 New Appointment as a Director of Kutxa

Percentage of votes with which the resolution was approved:
81.0871%

Third: Approval of the new system of pay with reference to the listed value of the share.

Percentage of votes with which the resolution was approved:
81.8012%

Fourth: Acquisition of the Company's own shares

Percentage of votes with which the resolution was approved:
82.4387%

Fifth: Appointment of Auditor of the company and of its consolidated group

Percentage of votes with which the resolution was approved:
82.4421%

Sixth: Delegation of powers to formalise, interpret, correct and execute the decisions taken by the General Meeting of Shareholders

Percentage of votes with which the resolution was approved:
98.9275%

E.9 Indicate whether there is any restriction in the Articles which sets down the minimum number of shares necessary to attend the General Meeting:

Yes No X

E.10 Indicate and justify the policies followed by the company in relation to the delegation of votes in the general meeting.

All shareholders with the right to attend the General Meeting can be represented at the Meeting by another person even when that person is not a shareholder. The representation must be conferred in the terms and with the scope established in Spain's Company Law, in writing and especially for each Meeting. This restriction shall not apply when the representative is the represented party's spouse, ancestor or descendant, nor when the latter holds a power of attorney granted in a public document to administer all of the shareholder's equity within national territory.

The representation may also be conferred through the remote means of communication that, duly proving the represented party's and representative's identity, has been established.

In accordance with the Regulations of the General Meeting of Shareholders, and whenever this is possible as per the Articles of Association, representation may also be conferred through electronic or remote telematic means of communication provided they duly guarantee the representation attributed and the represented party's identity. Representation granted by

these means shall be accepted when the electronic document by virtue of which it is conferred includes the recognised electronic signature used by the represented party or other class of signature with adequate guarantees of authenticity and identification of the shareholder who is granting his/her representation and it complies with all other requirements established in the legal regulations in force at any given moment.

The documents placing on record the delegations or representations for the General Meeting of Shareholders shall also indicate instructions on the direction of the vote, it being understood that, should no express instructions be given, the representative shall vote in favour of the proposed resolutions formulated by the Board of Directors on the items included on the Agenda.

The Chairman of the General Meeting of Shareholders or, by its delegation, the Secretary thereof shall settle any doubts which may arise in respect of the validity and value of the documents from which the right of attendance of whatsoever shareholder at the General Meeting may derive either individually or from the grouping together of its shares with other shareholders, as well as the delegation or representation in favour of another person, endeavouring to consider as invalid or valueless only those documents which lack the minimum legal and bylaw essential requirements and always provided that such defects have not been remedied.

In any case, article 13 of the Articles of Association expressly state that the represented party's personal attendance at the Meeting shall have the value of revocation.

E.11 Indicate whether or not the company has knowledge of the policy of its institutional investors of participating or otherwise in the company's decisions:

Yes No X

E.12 Indicate the address of the company's web site and how to access the content on corporate governance.

All information of interest to shareholders, including the Corporate Governance Reports, which have been approved annually, is available at all times in the web site of NH Hoteles, S.A. at www.nh-hoteles.com, under the section "información para el accionista" [information for shareholders].

F. DEGREE OF MONITORING OF CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance of the company with regard to the recommendations of the Unified Code of Good Governance.

In the event of not complying with any of them, explain the rules, recommendations, practices and criteria applied by the company.

1. That the Articles of the listed companies should not limit the maximum number of votes cast by one and the same shareholder, nor should they contain any other restrictions which make it difficult to take control of the company by means of the acquisition of its shares on the market.

See sections: A.9 , B.1.22 , B.1.23 y E.1 , E.2.

Explain X

As is set down in Article 15 of the Corporate Articles of NH Hoteles, S.A. no shareholder, independently of the number of shares of which it is the holder, may issue more votes than those corresponding to 10% of the shares issued with the right to vote.. This limitation will not be applicable in those General Meeting in which, in accordance with the list of persons attending, a shareholder who is present or represented at the Meeting is the owner of more than 75% of the shares issued with a right to vote. With this measure, NH Hoteles, S.A. intends to prevent the launching of takeover bids which are not aimed at 100% of the capital of NH Hoteles, S.A.

2. That when the parent company and a subsidiary are both listed they should publicly define with precision:

a) *The respective areas of activity and possible business relations between them, as well as those of the listed subsidiary with the other companies in the group;*

b) *The mechanisms set down to resolve the possible conflicts of interest that may arise.*

See sections: C.4 and C.7

Fulfil X

3. That, although not expressly required by mercantile laws, the operations which involve a structural modification of the company, and in particular those set out below are subject to the approval of the General Meeting of Shareholders:

a) *The transformation of listed companies into holding companies, through "subsidiarization" or incorporation into bodies dependent on essential activities carried out up to that moment by the company itself, even though the latter maintains the full dominion of the former;*

b) *The acquisition or transfer of essential operating assets, when this involved an effective modification of the corporate purpose;*

c) *The operations whose effect is equivalent to the liquidation of the company.*

Fulfil X

4. That the proposals detailed from the decisions to be taken at the General Meeting, including the information to which recommendation 28 refers, should be made public at the moment of publication of the announcement of the call to the Meeting.

Fulfil X

5. That at the General Meeting those matters which are substantially independent should be voted on separately so that the shareholders can exercise separately their voting preferences. And that this rule is applied in particular:

a) *To the appointment or ratification of directors, who must be voted on individually;*

b) *In the case of modifications to the Articles, to each article or group of articles which are substantially independent.*

See section: E.8

Fulfil X

6. That the companies should permit votes to be split up so that financial intermediaries which appear authorised as shareholders, but who act on account of different clients, may issue their votes in accordance with the instructions of their clients.

See section: E.4

Fulfil X

7. That the Board should perform its functions with unity of purpose and independence of judgement, give the same treatment to all the shareholders and be guided by the interests of the company, understood as maximising in a sustained manner the economic value of the company.

And that it should likewise take care so that in its relations with interest groups (stakeholders) the company respects the laws and regulations; it fulfils its obligations and contracts in good faith; it respects the uses and good practices of the sectors and territories where it carries out its activity; and it observes those additional principles of social responsibility that it voluntarily accepted.

Fulfil X

8. That the Board should take on, as the central part of its mission, the approval of the strategy of the company and the precise organisation for its putting into practice as well as supervising and controlling that the Management fulfils the objectives set and respects the object and corporate interest of the Company. And that, for this purpose, the full Board should reserve the power to approve:

a) *The general policies and strategies of the company, and in particular:*

i) *The strategic or business plan as well as the objectives of the annual management and budget;*

ii) *The policy of investments and financing;*

iii) *The definition of the structure of the group of companies;*

iv) *The policy of corporate governance;*

v) *The policy of corporate social responsibility;*

vi) *The policy of payment and evaluation of the performance of the senior managers;*

vii) *The policy of control and management of risks as well as the periodic monitoring of the internal systems of information and control.*

viii) *The policy of dividends, as well as that of bought back shares and, especially, its limits.*

See sections: B.1.10, B.1.13, B.1.14 and D.3

b) *The following decisions:*

i) *At the proposal of the chief executive of the company, the appointment and possible removal of the senior managers, as well as their compensation clauses.*

See section: B.1.14.

ii) *The payment of the directors, as well as in the case of the executive directors, the additional payments for their executive functions and other conditions which their contracts must respect.*

See section: B.1.14.

iii) *The financial information which, de to its status as listed, the company must make public periodically.*

iv) *The investments or operations of all kinds which, due to their large amount or special characteristics, have a strategic nature unless their approval is for the General Meeting;*

v) *The creation or acquisition of stockholdings in companies with a special purpose or which have their registered office in countries or territories which have the status of tax havens, as well as any other transaction or operation of an analogous nature which, due it its complexity, might reduce the transparency of the group.*

c) *The operations that the company carries out with directors, with significant shareholders or those who are represented on the Board, or with persons who are linked with them ("tied operations").*

That authorisation of the Board will not be understood, however, to be necessary in those linked operations which simultaneously fulfil the three following conditions:

- 1st. That they are carried out by virtue of contracts whose conditions are standardised and are applied en masse to many clients;
- 2nd. That they are carried out at prices or tariffs that are set down with a general nature by he who acts as a supplier of the goods or service in question;
- 3rd. That the amount does not exceed 1% of the annual income of the company.

It is recommended that the Board should approve the operations linked with a prior favourable report from the Audit Commission or, if applicable, from that other body to which that function has been entrusted; and that the directors affected, apart from not exercising or delegating their right to vote, absent themselves from the meeting hall while the Board deliberates and votes on it.

It is recommended that the powers which are here attributed to the Board should be attributed with a prohibition of delegation, except for those mentioned in letters b) and c), which may be adopted for reasons of urgency by the Delegated Commission, with subsequent ratification by the full Board.

See sections: C.1 y C.6

Fulfils X

9. That the Board should have the necessary size to achieve effective and participative functioning, which makes it advisable that its size should not be less than five or greater than fifteen members.

See section: B.1.1

Fulfils X

10. That the proprietary and independent external directors should constitute a large majority of the Board and that the number of executive directors should be as small as possible, taking into account the complexity of the group of companies and the percentage of participation of the executive directors in the capital of the company.

See sections: A.2 , A.3, B.1.3 y B.1.14.

Fulfils X

11. That if there were any external director who could not be considered either proprietary or independent, the company should explain the circumstance and his links, whether with the company or its managers, or its shareholders.

See section: B.1.3

Fulfils X

12. That, among the external directors, the relationship between the number of proprietary and independent directors should reflect the existing proportion between the capital of the company represented by the proprietary directors and the remainder of the capital.

This criterion of strict proportionality may be attenuated, in such a manner that the weight of the proprietary directors is greater than that which would correspond to the total percentage of the capital that they represent:

- 1st In companies with high capitalisation in which the shareholdings which legally have the status of significant are rare or non-existent but where there are shareholders with packages of shares of a high absolute value.
- 2nd When it is a matter of companies in which there is a plurality of shareholders represented on the Board, and they do not have any links between them.

See sections: B.1.3 , A.2 y A.3

Explain X

This Recommendation is fully satisfied except for Grupo Inversor Hesperia, S.A., that holds currently 25.088% of NH HOTELES, S.A.

13. That the number of independent directors should represent at least one third of the total number of directors.

See section: B.1.3

Fulfils X

14. That the character of each director should be explained by the Board to the General Meeting of Shareholders which must effect or ratify his appointment, and it should be confirmed or, if applicable, reviewed annually in the Annual Report of Corporate Governance, with prior verification by the Appointments Commission. And that the said report also explains the reasons for which proprietary directors have been selected at the request of shareholders whose shareholding is less than 5% of the capital; and the reasons should be set out for which, if applicable, formal requests for a presence on the Board from shareholders whose shareholding is equal to or greater than that of others at whose request proprietary directors have been designated, have not been attended to.

See sections: B.1.3 y B.1.4

Partially Fulfils X

This is integrally fulfilled with the exception of the aspect related to explain to the Meeting the character of the Director whose appointment or ratification is proposed. That explanation will be incorporated into future appointments or ratifications.

15. That when the number of female directors is small or non-existent, the Board should explain the reasons and the initiatives taken to correct that situation; and that, in particular, the Commission for Appointments should ensure that when there are vacancies:

a) *The procedures of selection do not suffer from implicit bias which act as obstacles to the selection of female directors;*

b) *The company should deliberately search, and include among the potential candidates, women who satisfy the professional profile required.*

See sections: B.1.2, B.1.27 y B.2.3.

Explain X

Currently in the composition of the Board there are no female members, although both the Board of Directors and the Appointment and Remuneration Commission has the firm intention of acting in this matter in accordance with the Recommendations that are contained in the unified Code of Good Governance and in the current legal provisions, both in their text and in their spirit.

16. That the Chairman, as the person responsible for the effective functioning of the Board, should ensure that the directors receive in advance sufficient information; he should stimulate debate and active participation of the directors during the Board meetings safeguarding his free taking of a position and expression of opinion; and he should organise and coordinate with the chairmen of the relevant Commissions the periodic evaluation of the Board, as well as, if applicable, that of the Managing Director or Chief Executive.

See section: B.1.42

Fulfils X

17. That, when the Chairman of the Board is also the Chief Executive of the Company, one of the independent directors should be empowered to ask for the Board Meeting to be called or for the inclusion of new points on the Agenda; to coordinate and echo the concerns of the external directors; and to direct the evaluation by the Board of its Chairman.

See section: B.1.21

Explain X

The power to call the Board of Directors and to form, if applicable, the Agenda of its meetings corresponds to the Chairman, who should nevertheless call it when two Directors so request, indicating the matters to be dealt with.

18. That the Secretary of the Board should ensure in a special manner that the actions of the Board:

a) *Are in accordance with the letter and the spirit of the Acts and their regulations, including those approved by regulatory agencies;*

b) *Are in accordance with the Articles of the company and with the Regulations of the General Meeting, of the Board and any others that the company has;*

c) *Should bear in mind the recommendations about good governance contained in this Unified Code that the company has accepted.*

And that, in order to safeguard the independence, impartiality and professionalism of the Secretary, his appointment and removal should be reported on by the Appointments Commission and approved by the full Board; and that the said procedure for appointment and removal should be recorded in the Regulations of the Board.

See section: B.1.34

Fulfils X

19. That the Board should meet with the frequency necessary to perform its functions effectively, following a programme of dates and subjects that it has set down at the beginning of the financial year, and each Director may propose other points for the Agenda that were not initially included.

See section: B.1.29

Partially Fulfils X

Article 21 of the Regulations of the Board sets down that "the power to call the Board of Directors to a meeting and to draw up, if applicable, the agenda for its meetings belongs to the Chairman, who must, nevertheless, call it when he is so requested by two Directors, with an indication of the subjects to be dealt with."

This precept from the Regulations has been modified by the Board of Directors in its session held on 22nd April 2008 for the purpose of reflecting in it the power of any Director to introduce items onto the Agenda.

20. That the non-attendance of directors should be reduced to indispensable cases and should be quantified in the Annual Report on Corporate Governance. And that if representation were indispensable, it should be conferred with instructions.

See sections: B.1.28 y B.1.30

Partially Fulfils X

It is fulfilled, with the exception that the representation that the Directors confer among themselves does not always include instructions.

21. That when the directors or the Secretary state concerns about any proposal or, in the case of the directors, about the progress of the company and these concerns are not resolved within the Board, at the request of the person who expressed them, a record should be made thereof in the minutes.

Fulfils X

22. That the full Board should evaluate once a year:

a) *The quality and efficiency of the functioning of the Board;*

b) *Starting with the report that the Appointments Commission brings to them, the performance of his functions by the Chairman of the Board and the Chief Executive of the company;*

c) *The operation of the Commissions, starting from the report that they give.*

See section: B.1.19

Fulfils X

23. That all the directors may make effective the right that they have to gain additional information that they judge to be necessary on matters of the competence of the board. And that, unless the Articles or the Regulations of the Board otherwise provide, they should direct their requirements to the Chairman or to the Secretary of the Board.

See section: B.1.42

Fulfils X

24. That all the directors should have the right to obtain from the company the necessary advice for the fulfilment of their functions. And that the company should decide on the proper routes for the exercise of this right, which in special circumstances might include external consultancy at the cost of the company.

See section: B.1.41

Fulfils X

25. That the companies should establish a programme of orientation which supplies new directors with rapid and sufficient knowledge of the company, and of its rules of corporate governance. And that they should also offer the directors programmes to update their knowledge when circumstances so advise.

Partially Fulfils X

Article 28 of the Regulations sets down that with the aim of being helped in the exercise of their functions, the Directors may obtain from the Company the advice necessary for the fulfilment of their functions, although a programme of orientation for new Directors has not been established, nor programmes for updating of knowledge.

26. That the companies should demand that the directors dedicate the time and effort necessary to their role in order to be able to perform it effectively and, in consequence:

a) *That the directors should inform the Appointments Commission of their remaining professional obligations, in case they might interfere with the dedication demanded;*

b) *That the companies should establish rules about the number of boards of which their directors may form part.*

See sections: B.1.8, B.1.9 y B.1.17

Partially Fulfils X

The Company has not established any rule regarding the number of Boards of which the Directors may form part, as it considers that the relevant matter is the general duty which weighs upon every Director to devote the time and effort necessary to the Company (article 11.1 and 27 and following of the Regulations), without this being linked to the number of Boards of which they may form part.

27. That the proposal of appointment or re-election of directors which is brought by the Board to the General Meeting of Shareholders, as well as his provisional appointment by co-option, should be approved by the Board:

a) *At the proposal of the Appointments Commission, in the case of independent directors.*

b) *With the prior report of the Appointments Commission in the case of the remaining directors.*

See section: B.1.2

Fulfils X

28. That the companies should make public via their web page and should keep updated, the following information about their directors:

a) *Professional and biographical profile;*

b) *Other Board of Directors to which he belongs, whether or not they are listed companies;*

c) *Indication of the class of director that he belongs to, indicating, in the case of proprietary directors, the shareholder whom he represents or with whom he has a link.*

d) *Date of his first appointment as a director of the company, as well as the subsequent appointments, and;*

e) *Shares in the company, and share options, of which he is the owner.*

Partially Fulfils X

It is fulfilled to the extent that these points are reported on in the Reports on Corporate Governance each year, with the exception of section b), as the Directors only report on the positions of Directors that they hold in those companies that are specifically required by the Report on Corporate Governance (listed companies, companies which have significant holdings in NH HOTELES, S.A., companies with an identical or analogous corporate purpose to NH HOTELES, S.A., etc.).

29. That the independent directors should not remain in this position for a continuous period that is greater than twelve years.
See section: B.1.2

Explain X

Only one of the directors is in this position, who is at the same time the Chairman of one of the companies in the group (Sotogrande, S.A.).

30. That the proprietary directors should present their resignation when the shareholder whom they represent wholly sells his shareholding. They should also do so, in the appropriate number, when the said shareholder reduces his holding to a level which requires the reduction in the number of his proprietary directors.
See sections: A.2, A.3 y B.1.2

Fulfils X

31. That the Board of Directors should not propose the removal of any independent director before the fulfilment of the statutory period for which he has been appointed, except when there is just cause, appreciated by the Board with the prior report of the Appointments Commission. In particular, it will be understood that there is just cause when the director was in breach of duties inherent in his position or has incurred any of the circumstances described in section 5 of sub-section III of definitions of this Code.

The removal of independent directors may also be proposed resulting from takeover bids, mergers or other similar corporate operations which suppose a change in the structure of capital of the company when these changes in the structure of the Board are caused by the criterion of proportionality indicated in Recommendation 12.

See sections: B.1.2, B.1.5 y B.1.26

Fulfils X

32. That companies should establish rules which oblige the directors to inform and, if applicable, resign in those cases which might prejudice the credit and reputation of the company and, in particular, should oblige them to report to the Board on the penal actions in which they appear as accused, and of their subsequent vicissitudes at law.

That if a director were to be prosecuted or an order of summons for an oral summons for any of the crimes set down in Article 124 of the Public Limited Companies Act, the Board shall examine the case as soon as this is possible and, in view of the specific circumstances, it should decide whether or not it is appropriate for the director to continue in his position. And of all this the Board must give account, giving reasons, in the Annual Report of Corporate Governance.

See sections: B.1.43, B.1.44

Fulfils X

33. That all the directors should clearly express their opposition when they consider that a proposal for a decision submitted to the Board might be contrary to the corporate interest. And they should do likewise, especially the independent directors and other directors not affected by the potential conflict of interest, when it is a matter of decisions which might prejudice the shareholders not represented on the Board.

And that when the Board takes significant or reiterated decisions about which the director had formulated serious reservations, he should draw the appropriate conclusions and, if he should opt to resign, he should explain his reasons in the letter to which the following Recommendation refers.

This Recommendation also affects the Secretary of the Board although he may not have the status of a director.

Fulfils X

34. That when, whether as a result of resignation or for another reason, a director ceases in his position before the termination of his term, he should explain the reasons in a letter which he will send to all the members of the Board. And which, without prejudice to the fact that the cessation of his activity as a Director is communicated as a relevant fact, an account should be given in the Annual Report on Corporate Governance of the reason for the removal.

See section: B.1.5

Partially fulfils X

The letter to which the present Recommendation makes reference is not normally sent by the Directors to all the other members of the Board, but is only handed over to the Chairman who informs the Board of Directors of its entire contents.

35. That the policy on pay approved by the Board should express itself at least on the following matters:

a) *The amount of the fixed components, with a breakdown, if applicable, of the expenses for participation in the Board Meeting and its commissions and an estimation of the annual fixed payment to which this gives rise;*

b) *Headings regarding payment of a variable nature, including, in particular:*

i) *Categories of directors to which they are applied, as well as an explanation of the relative importance of the variable concepts of remuneration with regard to the fixed ones.*

ii) *Criteria of evaluation of results in which any right to a remuneration in shares, options over shares or any variable component is based;*

iii) *Fundamental parameters and the foundation of any system of annual premiums (bonuses) or of other benefits not paid in cash; and*

iv) *An estimate of the absolute amount of the variable remuneration to which the proposed plan of remuneration will give rise, as a function of the degree of fulfilment of the hypotheses or objectives that are taken as a reference.*

c) *Main characteristics of the systems of foresight (for example, complementary pensions, life insurance and analogous matters), with an estimate of their amount and equivalent annual cost.*

d) *Conditions which must be respected by the contracts of those who exercise functions of senior management as executive directors, among which the following will be included:*

i) *Duration;*

ii) *Periods for warning; and*

iii) *Any other clauses relating to premiums for contracting, and indemnities or armour-plating for an early resolution or termination of the contractual relationship between the company and the executive director.*

See section: B.1.15

Fulfils X

36. That the remuneration by means of handover of shares in the company or group companies, options for shares or instruments with a value referenced to the value of the share, variable remuneration linked to the performance of the company or systems of welfare should be limited to executive directors.

This recommendation does not affect the handover of shares, when this is on the condition that the directors keep them until they cease to be directors.

See sections: A.3 , B.1.3

Fulfils X

37. That the remuneration of external directors should be that which is necessary to repay the dedication, qualification and responsibility that the position demands; but not so high as to compromise their independence.

Fulfils X

38. That the remuneration related with the results of the company should take into account the possible reservations that are written in the report of the external auditor and reduce the said results.

Fulfils X

39. That in the case of variable remuneration, the remuneration policies should include the technical precautions necessary to ensure that this remuneration have a relationship with the professional performance of its beneficiaries and are not derived simply from the general evolution of the markets or of the sector of activity of the company or from other similar circumstances.

Fulfils X

40. That the Board should submit to a vote of the General Meeting of Shareholders, as a separate item on the Agenda, and with consultative nature, a report on the policy or remuneration of the directors. And that the said report should be put at the disposal of the shareholders, either separately or in any other manner that the company deems appropriate.

The said report will be centred especially on the policy of remuneration approved by the Board for the current year as well as, if applicable, that which is planned for future years. It will deal with all the matters to which Recommendation 35 refers, except for those points which might involve the revelation of sensitive commercial information. It will emphasise the most significant changes in those policies vis-à-vis that applied during the past financial year to which the General Meeting refers. It will also include a global summary of who the remuneration policy was applied during that last financial year.

That the Board should inform, likewise, of the role played by the Remuneration Commission in the preparation of the remuneration policy and, if it used external advice, of the identity of the external consultants.

See section: B.1.16

Partially Fulfils X

The Board draws up each year a Report in the terms set out above, of the contents of which the General Meeting is apprised, without submitting it to a vote.

41. That the Report should detail the individual remuneration of the directors during the financial year and it should include:

a) *The individual breakdown of the remuneration of each director, which will include, if applicable:*

i) *The expenses for attendance or other fixed remuneration as a director;*

ii) *The additional remuneration as chairman or as a member of a commission of the Board;*

iii) *Any remuneration as participation in profits or premiums, and the reason for which they were granted;*

iv) *The contributions in favour of the director to pensions plans with a definite contribution; or the increase of consolidated rights of the director, when concerning contributions to plans with a definite benefit;*

v) *Any indemnities agreed or paid in case of termination of functions;*

vi) *The remuneration received as a director from other companies in the group;*

vii) *Remuneration for the performance of functions of senior management of the executive directors;*

viii) *Any other kind of remuneration other than the foregoing, whatever its nature or the group company that pays it, especially when it has the status of a linked operation or if its omission would distort the true image of the total remuneration received by the director.*

b) *The individualised breakdown of the possible handovers to directors of shares, share options or any other instrument dependent on the value of the shares, with details of:*

- i) Number of shares or options granted in the year, and conditions for its exercise;*
- ii) Number of options exercised during the year, with indication of the number of shares involved and the price of exercise;*
- iii) Number of options pending exercise at the end of the year, with indication of their price, date and other requirements for exercise;*
- iv) Any modification during the year of the conditions of exercise of options already granted.*

c) *Information on the relationship, in the past financial year, between the remuneration obtained by the executive directors and the results or other measures of performance of the company.*

Partially Fulfils X

Although the information to which this Recommendation makes reference is only partially included in the Report, it is contained integrally in the Annual Report on Corporate Governance, with the exception of sections a. v), to the extent that it is mentioned, but not quantified, and c), as it does not include the information on the relationship between the remuneration obtained by the Executive Director and the results or other measures of performance of the company but rather the relationship between the totality of the remuneration obtained by the Board and the Consolidated Net Profit.

42. That when there is a Delegated Commission or Executive Commission (hereinafter "Delegated Commission"), the structure of participation of the different categories of director should be similar to that of the Board itself and its secretary should be the secretary of the Board.

See sections: B.2.1 and B.2.6

Fulfils X

43. That the Board should always have knowledge of the matters dealt with and of the decisions taken by the Delegated Commission and that all the members of the Board should receive a copy of the minutes of the sessions of the Delegated Commission.

Explain X

The Board always has knowledge of the matters dealt with and of the decisions taken by the Delegated Commission. Although no copy of the minutes of the sessions thereof are sent, the Chairman of the Delegated Commission informs of the matters dealt with by that Commission. Furthermore, the minutes are always at the disposal of the Directors.

44. That the Board of Directors should set up, apart from the Audit Commission demanded by the Securities Market Act, a Commission, or two separate Commissions, on Appointments and Remuneration.

That the rules of composition and functioning of the Audit Commission and of the Commission or Commissions of Appointments and Remuneration feature in the Regulations of the Board, and include the following:

That the Board should designate the members of these Commissions, bearing in mind the knowledge, aptitudes and experience of the directors and the tasks of each Commission; it should deliberate on the proposals and reports; and before it, they must give an account, in the first full meeting of the Board subsequent to their meetings, of their activity and they should answer for the work done;

b) *That these Commissions should be made up exclusively of external directors, with minimum of three. The foregoing can be understood without prejudice to the assistance of executive directors or senior managers, when it is so agreed expressly by the members of the Commission.*

c) *That their Chairmen should be independent directors.*

d) *That they should be able to get external consultancy, when they consider it necessary for the performance of their functions.*

e) *That minutes should be kept of their meetings, of which a copy will be sent to all the members of the Board.*

See sections: B.2.1 and B.2.3

Partially Fulfils X

This is fulfilled apart from section e.), in the sense that no copy of the minutes of the meetings of the Commissions is sent to all the members of the Board. Nevertheless, all the members of the Board are duly informed of the matters dealt with at those meetings, and the minutes of the meetings of the Commissions are made available to the Directors.

45. That the supervision of the fulfilment of the internal codes of conduct and of the rules of corporate governance should be attributed to the Audit commission, to the Appointments Commission or, if they existed separately, to those of Compliance or Corporate Governance.

Fulfils X

46. That the members of the Audit Commission, and especially its Chairman, should be designated taking into account their knowledge and experience in the matter of accounting, auditing or risk management

Fulfils X

47. That the listed companies should have a function of internal audit which, under the supervision of the Audit Commission, should watch over the good functioning of the systems of information and internal control.

Fulfils X

48. That the person responsible for the function of internal audit should present to the Audit Commission his annual plan of work; he should inform it directly of the incidents that arise in its conduct; and he should submit an activity report to it at the end of each year.

Fulfils X

49. That the policy of control and risk management should identify at least:

a) *The different types of risk (operational, technological, financial, legal, reputation-related...) that the company faces, including among the financial or economic ones, the contingent liabilities and other risks off the balance sheet;*

b) *The fixing of the level of risk that the company considers acceptable;*

c) *The planned measures to mitigate the impact of the identified risks, if they should materialise;*

d) *The systems of information and internal control which will be used to control and manage the above-mentioned risks, including the contingent liabilities or risks off the balance sheet.*

See section: D

Fulfils X

50. That it should be the responsibility of the Audit Commission:

1st In relation with the systems of information and internal control:

a) To supervise the process of preparation and the integrity of the financial information relative to the company and, if applicable, to the group, reviewing the fulfilment of the regulatory requirements, the proper delimitation of the consolidation perimeter and the correct application of the accounting criteria.

b) To periodically review the systems of internal control and risk management, so that the main risks are identified, managed and made known properly.

c) To watch over the independence and efficacy of the function of internal audit; to propose the selection, appointment, re-election and removal of the person responsible for the service of internal audit; to propose the budget for that service; to receive periodical information about their activities; and to verify that the senior management bears in mind the conclusions and recommendations of their reports.

d) To establish and supervise a mechanism which will permit the employees to communicate, confidentially and, if it is considered appropriate, anonymously, regarding the irregularities of potential importance, especially financial and accounting related, which they notice within the company.

2nd In relation with the external auditor:

a) To bring to the Board the proposals for selection, appointment, re-election and substitution of the external auditor, as well as the conditions for hiring him.

b) To regularly receive from the external auditor information on the auditing plan and the results of its execution, and to verify that the senior management bears his recommendations in mind.

c) To ensure the independence of the external auditor and, for this purpose:

i) That the company should communicate the change of auditor as a relevant fact to the CNMV and should accompany this message with a declaration on the possible existence of disagreements with the outgoing auditor and, if they existed, of their content.

ii) That it should ensure that the company and the auditor respect the current rules on provisions of services other than those of auditing, the limits on the concentration of the business of the auditor and, in general, the other rules set down to ensure the independence of the auditors;

iii) That in the case of the resignation of the external auditor it should examine the circumstances that caused it.

d) In the case of groups, to favour the group auditor assuming responsibility for the audits of the companies of which it is made up.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Fulfils X

51. That the Audit Commission should be able to call any employee or manager of the company, and should even be able to require them to appear without the presence of any other manager.

Fulfils X

52. That the Audit Commission should inform the Board, prior to the adoption by it of the corresponding decisions, on the following aspects indicated in Recommendation 8:

a) The financial information that, as a listed company, the company must make public periodically. The Committee should ensure that the intermediate accounts are formulated with the same accounting criteria as the annual accounts and, for this purpose, it should consider the advisability of a limited review by the external auditor.

b) The creation or acquisition of holdings in companies with a special purpose or that are domiciled in countries or territories which have the status of tax havens, as well as any other transactions or operations of an analogous nature which, due to their complexity, might reduce the transparency of the group.

c) The linked operations, except if that function of prior report were to have been attributed to another Commission of those of supervision and control.

See sections: B.2.2 and B.2.3

Fulfils X

53. That the Board of Directors should attempt to present the accounts to the General Meeting without reservations or qualifications in the audit report and that, in the exceptional cases in which they exist, both the Chairman of the Audit Commission and the auditors should explain with clarity to the shareholders the content and scope of these reservations and qualifications.

See section: B.1.38

Fulfils X

54. That the majority of the members of the Appointments Commission- or of Appointments and Remuneration, if they were one- should be independent directors.

See section: B.2.1

Explain X

The Commission of Appointments and Remuneration is made up of three members: 1 Proprietary director (Mr. Matias Amat Roca), 1 Independent director (Mr. Manuel Herrando Prat y de la Riba) and 1 Director classified as "another External" (Mr. José de Nadal Capara).

It is worth indicating however that at the next Ordinary General Meeting the re-election of Mr. De Nadal is planned as an Independent director, with the result that this Recommendation will be complied with.

55. That, apart from the functions indicated in the foregoing Recommendations, the following belong to the Appointments Commission:

a) Evaluating the powers, knowledge and experience necessary in the Board, to define, as a consequence, the functions and aptitudes necessary in the candidates who must cover each vacancy and evaluating the time and dedication necessary for them to perform their tasks well.

b) To examine or organise, in the manner that is understood to be suitable, the succession of the Chairman and of the Chief Executive and, if applicable, to make proposals to the Board so that the said succession can occur in the most orderly and well-planned manner.

c) To inform of appointments and removals of senior managers that the Chief Executive should propose to the Board.

d) To inform the Board on the matters of diversity of gender signalled in Recommendation 14 of this Code.

See section: B.2.3

Fulfils X

56. That the Appointments Commission should consult the Chairman and the Chief Executive of the company, especially when dealing with matters related with executive directors.

And that any director may ask the Appointments Commission to take into consideration, in case it should consider them suitable, potential candidates to cover vacancies as a director.

Fulfils X

57. That the following should be the responsibility of the Commission on Remuneration, apart from the functions indicated among the foregoing Recommendations:

a) To propose to the Board of Directors:

- i) The policy of remuneration of the directors and senior management;
- ii) The individual remuneration of the executive directors and the others in accordance with the conditions of their contracts.
- iii) The basic conditions of the contracts of the senior managers.

b) To watch over the observance of the remuneration policy set down by the company.

See sections: B.1.14, B.2.3

Fulfils X

58. That the Commission for Remuneration should consult the Chairman and the Chief Executive of the company, especially when it is a question of matters relating to the executive directors and senior managers.

Fulfils X

G. OTHER INFORMATION OF INTEREST

If it is considered that other relevant principles or aspects relating to corporate governance practices are applied by the company which have not been covered in this report, they should be mentioned below with an explanation of their content.

Any other information, clarification or nuance related with the foregoing sections of the report can be included in this section.

In particular, indicate whether or not the company is subject to legislation other than Spanish legislation on the subject of corporate governance and, when applicable, include any information which it has the obligation of supplying and which differs from that required in this report.

SECTION: B.1.2

With regard to the Director D. Ramón Blanco Balin it is worth pointing out that although the first appointment took place on 12th January 1993, he presented his resignation on 5th May 1994, and he was again appointed by the Board on 18th March 1997.

SECTION: B.1.11.:

In accordance with the provisions of article 20 of the articles of NH HOTELES, S.A. the remuneration of the Directors will consist

of an certain annual allowance and of expenses for attendance at the meetings of the Board and of its Commissions, without the combination of both concepts being able to exceed 3% of the liquid profit obtained by the consolidated group in the foregoing accounting year.

The other professional payments which correspond to the Directors for the functions of an executive nature that they perform in the Company or the group are expressly excluded from this amount.

In this regard, it must be recorded that for the concept of annual allowance and expenses, the remuneration of the Board of Directors corresponding to NH HOTELES, S.A. during the 2007 accounting year amounted to a total of 4,264.07 in thousands of Euros (4,384 in thousands of Euros corresponding to the group).

It should be noted that in the total amount of the remuneration received for all concepts by the totality of the Directors, the amount received by the Executive Director in his position as beneficiary of the different Programmes of Options on Shares that are valid in the group is expressly included and which amounted to a total of 2,355.49 (thousands of Euros) which amount, while the corresponding Plan of Options was approved and put into effect, was properly covered by means of the formalisation of the corresponding contract of equity swap with the result that there has been no outlay for the Company. Discounting this amount, the total remuneration of the Directors represents 2.62% of the net profit attributed to the Company.

The amounts received during the 2007 financial year individually by each Director for annual allowance and expenses for attendance at the Board of Directors and the different Commissions were as follows:

CHAIRMAN OF THE BOARD AND OF THE DELEGATED COMMISSION:

Mr. Gabriele Burgio

- Per diem allowance as member of the Board in 2007: 42,000.00 Euros
- Per diem allowance for attending the Delegated Commission: 6,000.00 Euros
- Per diem allowance for attending other Board Meetings in the group: 15,000.00 Euros
- Total Expenses: 63,000.00 Euros

VICE-CHAIRMAN:

Mr. Manuel Herrando y Prat de la Riba

- Per diem allowance as member of the Board in 2007: 42,000.00 Euros
- Per diem allowance for attending the Delegated Commission: 6,000.00 Euros
- Per diem allowance for attending Commission on Appointments and Remuneration: 11,095.56 Euros
- Per diem allowance for attending other Board Meetings in the group: 85,000.00 Euros
- Total Expenses: 144,095.56 Euros

DIRECTORS:

Mr. Matías Amat Roca

Mr. Amat refused to take money for the expenses to which he had a right in his position as Director and member of the Delegated Commission, and of the Commission on Appointments and Remuneration.

Mr. Ramón Blanco Balín

- Per diem allowance as member of the Board in 2007: 42,000.00 Euros

- Per diem allowance for attending the Delegated Commission: 3,000.00 Euros
 - Per diem allowance for attending Audit Commission : 16,643.34
- Total expenses: 61,643.34 Euros

BANCAJA (D. Aurelio Izquierdo Gómez, as individual representative)

- Per diem allowance as member of the Board in 2007: 42,000.00 Euros
 - Per diem allowance for attending the Delegated Commission: 6,000.00 Euros
- Total expenses: 48,000.00 Euros

Mr. Julio Cesar Díaz-Freijo Cerecedo

- Per diem allowance as member of the Board in 2007: 42,000.00 Euros
 - Per diem allowance for attending the Delegated Commission: 6,000.00 Euros
- Total expenses: 48,000.00 Euros

Mr. Miguel Rodríguez Domínguez

- Per diem allowance as member of the Board in 2007: 42,000.00 Euros
 - Per diem allowance for attending Audit Commission: 7,908.05
- Total expenses: 49,908.05

HOTELES PARTICIPADOS, S.L. (D. Ignacio Ezquiaga Domínguez as individual representative)

- Per diem allowance as member of the Board in 2007: 42,000.00 Euros
 - Per diem allowance for attending Audit Commission: 9,812.40
- Total expenses: 51,812.40

Mr. José de Nadal Capará

- Per diem allowance as member of the Board in 2007: 42,000.00 Euros
 - Per diem allowance for attending the Delegated Commission: 3,000.00 Euros
 - Per diem allowance for attending Commission on Appointments and Remuneration : 11,095.56 Euros
- Total expenses: 56,096.56

Mr. Alfonso Merry del Val Gracie

- Per diem allowance as member of the Board in 2007: 42,000.00 Euros
 - Per diem allowance for attending other Board Meetings in the group: 20,000.00 Euros
- Total expenses: 62,000.00 Euros

CAJA DE AHORROS Y MONTE DE PIEDAD DE GIPUZKOA and SAN SEBASTIAN (Mr. Carlos Etxepare Zugasti as individual representative)

- Per diem allowance as member of the Board in 2007: 24,854.79 Euros
- Total expenses: 24,854.79 Euros

GSS III HURRICANE, B.V.

(Mr. André Martínez as individual representative)

- Per diem allowance as member of the Board in 2007: 24,854.79 Euros
- Total expenses: 24,854.79 Euros

OUTGOING DIRECTOR

Mr. Garry Garrabrant:

- Per diem allowance as member of the Board in 2007: 17,145.21 Euros
- Total expenses: 17,145.21 Euros

SECRETARY NOT A DIRECTOR

Mr. José María Mas Millet

- Per diem allowance as member of the Board in 2007: 42,000 Euros

- Expenses for Delegated Commission: 6,000 Euros
 - Per diem allowance for attending Commission on Appointments and Remuneration: 11,095.56 Euros
- Total expenses: 59,095.56 Euros

VICE-SECRETARY NOT A DIRECTOR

Mr. Jesús-Ignacio Aranguren González-Tarrio

- Expenses Board: 21,000.00 Euros
- Total expenses: 21,000.00 Euros

SECTION B.1.12

With regard to the remunerations received by the Senior Management (excluding the Executive Director), the following should be stated:

In the total amount of remuneration received for all the concepts by the members of the Senior Management the amount received by them in their position as beneficiary of the different Options Programmes on Shares that are current in the group is expressly included, which amounted to a total of 5,525 (in thousands of Euros) an amount which, while the corresponding Options Plan was approved and put into effect, was properly covered by means of the formalisation of the corresponding contract of equity swap, with the result that it has not involved an outlay for the Company. Deducting this amount, the total remuneration of the members of the Senior Management amounted to a total of 2,830 (in thousands of Euros) for remuneration in money and in kind.

SECTION B.1.37:

With regard to the other work that has been carried out by the auditing firm for NH HOTELES, S.A. and its group, it is worth pointing out that these have been generated as a consequence of the integration of the Italian group, Jolly Hotels, as well as of the diverse reports issued by the auditing firm to carry out the mergers in the Italian group.

SECTION C.2.:

In relation with the contracts of lease between the significant shareholder PONTEGADEA INVERSIONES, S.L. and some companies from the group of NH HOTELES, S.A., it should be pointed out that these contracts have been signed in reality with PONTEGADEA INMOBILIARIA, S.L., a company which belongs 100% (indirectly) to PONTEGADEA INVERSIONES, S.L.

SECTION C.3.:

The loans to which the table in this section makes reference, made between HOTELES PARTICIPADOS, S.L. and the company NH FINANCE, S.A. were signed in reality by the two shareholders who make up 50% of the company HOTELES PARTICIPADOS, S.L., namely, by Caja Murcia (for the value of 7,500 in thousands of Euros) and Caixa Nova (for the value of 12,500 in thousands of Euros).

SECTION F.8.:

Nevertheless, in relation to the provisions of section b.i) the Board of Directors considers that the decision with regard to the appointment and possible removal of senior managers must correspond to and continue to correspond to the Chief Executive of the Company. Notwithstanding the foregoing, the Regulations of the Board of Directors attribute to the Commission on Appointments and Pay powers of prior reporting on the appointment and removal of the managers with immediate dependence on the Managing Director.

BINDING DEFINITION OF INDEPENDENT DIRECTOR:

Indicates whether any of the independent directors has or has had any relation with the company, its significant shareholders or its managers, which, if it had been sufficiently significant or important, would have meant that the director could not be considered to be independent in accordance with the definition in section 5 of the Unified Code of Good Governance:

Yes No

Name of the director	Type of relationship	Explanations
MR. MANUEL HERRANDO Y PRAT DE LA RIBA	Chairman of Sotogrande, a company owned 96.68% S.A., by NH Hoteles, S.A.	The amounts that he receives for this reason are not significant

This annual report on corporate governance was approved by the Company's Board of Directors in its meeting held on 22th April 2008.

Indicate whether there have been Directors who voted against or who have abstained in relation with the approval of the present Report.

Yes No

Name or corporate name of the director who has not voted in favour of the approval of the present report	Reasons (against, abstention, did not attend)	Explain the reasons
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ANNUAL REPORT OF THE AUDIT COMMITTEE

1) Duties, responsibilities and working of the Audit Committee

The main duties of the Audit and Control Committee are to support the Board of Directors in its oversight and control duties. The most important of these duties is to ensure that generally accepted accounting principles are properly applied and to check that the internal control systems used when drawing up the individual and consolidated Annual Accounts are adequate and complete.

As a result of the enactment of the new rules on corporate transparency and governance, the rules governing the Committee are now to be included in the Bylaws. Thus, Article 25 of the Bylaws, which was included in the Bylaws by agreement of the General Meeting of Shareholders held on 28 April 2003 all matters related to the composition, working and authority of said Committee, where the Board of Directors may develop and complete the above rules in its Regulations. Consequently, both the text of the Bylaws and the Regulations of the Board provides guidelines in all affairs related to the composition, authority and working of the Audit Committee, as follows:

a) Composition.

The Audit and Control Committee shall be comprised of a minimum of three and a maximum of five Members designated by the Board of Directors. All the members of said Committee must be external or non-executive Board Members.

The Chairperson of the Audit and Control Committee shall be appointed by the Committee itself from among its non-executive director members, and must be replaced every four years. He/she may be re-elected once again after a year has elapsed since the end of his last term.

b) Responsibilities.

Without detriment to any other task it may be assigned by the Board of Directors, the main responsibility of the Audit and Control Committee shall be to support the Board of Directors in its tasks of supervision and, specifically, it shall have the following tasks:

1) Through its Chairperson, inform the General Meeting of Shareholders on matters posed by shareholders within the field of responsibility of the Committee;

2) Propose to the Board of Directors, for submission to the General Meeting of Shareholders, the appointment of the Account Auditor referred to in Article 204 of the Law on Public Limited Companies and, as necessary, said position's hiring conditions, the duration of its professional term and the revocation or renovation of the appointment;

3) Oversee the independence and effectiveness of the function of internal auditing; propose the selection, appointment, re-election and dismissal of the head of the internal audit service; propose the budget of the service; receive regular information on its activities and verify that the management of the company takes into account the conclusions and recommendations of its reports.

4) Supervise the process of elaboration and the integrity of the financial information on the company and, as applicable, the group; review compliance with regulatory requirements, proper delimitation of the perimeter of consolidation and the correct application of accounting principles.

5) Establish and supervise a mechanism to enable employees to report - either confidentially or anonymously, as appropriate - irregularities of potential importance, particularly of a financial or accounting nature of which they should become aware in the company.

6) Handle relations with the Auditor with a view to receiving information regarding any issues that may put the Auditor's independence at risk, and any other issues relating to the process of auditing the accounts, as well as to receive information and keep up the communications with the Auditor provided for under audit legislation and in the technical audit standards;

7) Oversee compliance and the internal codes of conduct, as well as the rules of corporate governance,

8) Report to the Board, prior to the adoption by the latter of pertinent decisions, financial information the company must periodically make public as a firm listed on the stock exchange.

9) Inform the Board on all matters related to linked transactions, as these are defined in the present Law on Public Limited Companies (art. 127ter LSA);

10) Inform the Board on the creation or acquisition of shareholdings in entities with a special purpose or those domiciled in countries or territories considered tax havens, or any other transactions or arrangements if a similar nature that might undermine the transparency of the Group owing to their complexity and

11) Exercise any other responsibilities assigned to the Committee in this Regulation or that may be assigned to it by the Board of Directors.

c) Working.

The Committee shall meet at least once a quarter and whenever it is deemed appropriate, after being convened by the Chairperson, on his/her own decision or in response to a request made by two of the members of the Committee or of the Board of Directors.

2) Members of the Audit Committee

The Audit and Control Committee is presently comprised of the following Members:

Chairperson:	D. Ramón Blanco Balín	Independent
Member:	D. Miguel Rodríguez Domínguez	Independent
Member:	D. Ignacio Ezquiaga Domínguez	Shareholder

3) Relations with external auditors

The parent company of the NH Hoteles Group has been audited since 1986. The main auditors since that fiscal year are listed below:

Year	Auditor
1986	Peat Marwick
1987	Peat Marwick
1988	Peat Marwick
1989	Peat Marwick
1990	Peat Marwick
1991	Peat Marwick
1992	Peat Marwick
1993	Arthur Andersen
1994	Arthur Andersen
1995	Arthur Andersen
1996	Arthur Andersen
1997	Arthur Andersen
1998	Arthur Andersen
1999	Arthur Andersen
2000	Andersen
2001	Andersen
2002	Deloitte & Touche
2003	Deloitte & Touche
2004	Deloitte & Touche
2005	Deloitte & Touche
2006	Deloitte & Touche
2007	Deloitte & Touche

The 2007 Consolidated Annual Accounts were audited by two firms of acknowledged prestige:

- Deloitte & Touche is the lead auditor. As such, it issues its audit opinion on the Consolidated Annual Accounts. It has verified the accounts of companies in the business units of Spain and Portugal, Italy, Germany, Mexico, MERCOSUR and Sotogrande, which account for 79% of the consolidated assets, 75% of revenues and 29% of the consolidated net profit.
- PriceWaterhouse Coopers audited the business units in Netherlands and Belgium and Austria and Switzerland, which account for 21% of the assets, 24% of the revenue and 63% of the consolidated net profit.

Deloitte & Touche (D&T) was appointed for a one-year term, as the Group's main auditor at the General Meeting of Shareholders of NH Hoteles held on 29 May 2006 and as auditor of the various Business Units listed above at their respective General Meetings of Shareholders held during the first half of 2007. That firm has been the Group's main auditor since 2002, although the partner in charge of the audit changed in 2003 and 2005. The total fees received by the firm for its auditing services for 2006 totalled 1.11 million Euro (0.66 million Euro in 2006).

PriceWaterhouse Coopers (PWC) was appointed, also for a one-year term, as auditor of the Business Unites listed above at the respective General Meetings of Shareholders held during the first half of 2007. PWC has been the auditor of the Dutch, Belgian and Swiss Companies since 1998 and of the Austrian Companies since 2004. Fees for audit services for 2007 totalled 0.55 million Euro (0.53 million Euro in 2006).

4) Content and results of the work of the Audit Committee

The Audit Committee held 9 meetings in the 2007 fiscal year and dealt with the following matters:

- Analysing and assessing, together with the external auditors, the Financial Statements and the Notes to the Financial Statements for 2006 and 2007, verifying that their audit opinion was issued under conditions of complete independence.
- Reviewing the regular public financial information prior to its being analysed and approved by the Board of Directors so that it is reliable, transparent and drafted by applying standard accounting principles and criteria.
- Monitoring the Internal Audit Plan for 2007, examining its conclusions and the implementation, whenever applicable, of any corrective measures that are needed.
- Advisory and oversight of the drafting of a manual of administrative and operating procedures for the hotels. Some 80% of the complete final design of the manual was drafted in 2007. Its completion is scheduled for April 2008, and no delays are expected.
- Updating the different types of risk to which the activities of NH Hoteles are exposed. Designing the Group's definitive Risk Map by hiring an external consultancy to provide support to the project.
- Examining the Annual Corporate Governance Report, before submitting it to the Board of Directors for study and approval, with a special emphasis on the analysis of the record of situations of Directors and Managers.
- Analysis of transactions with linked parties with a view to verifying that they were undertaken in market conditions, as was indeed the case.

5) Priorities for 2008

The priorities of this Committee for the present year, apart from those related to the drafting and issuing of public financial information, shall centre on:

- Monitoring of implementation in Spain, Germany and the Netherlands of the procedures laid down in the manual of administrative and operating procedures and analysis of the training plan for final users.
- Updating the risk map drafted by Group Management jointly with external advisers. Establishing of an own structure that will enable ongoing updating and oversight as well as the selection of a suitable information technology tool to expedite its handling.
- Monitoring the Internal Audit Plan.

To conclude this report, it should be pointed out that in order to carry out all the work mentioned above, this Committee has had access, whenever it has deemed this useful, to all the outside professionals (auditors, appraisers and consultants) and members of the economic and financial departments, internal auditors and management control it has deemed necessary.



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